

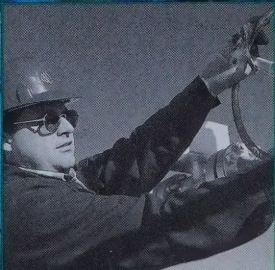
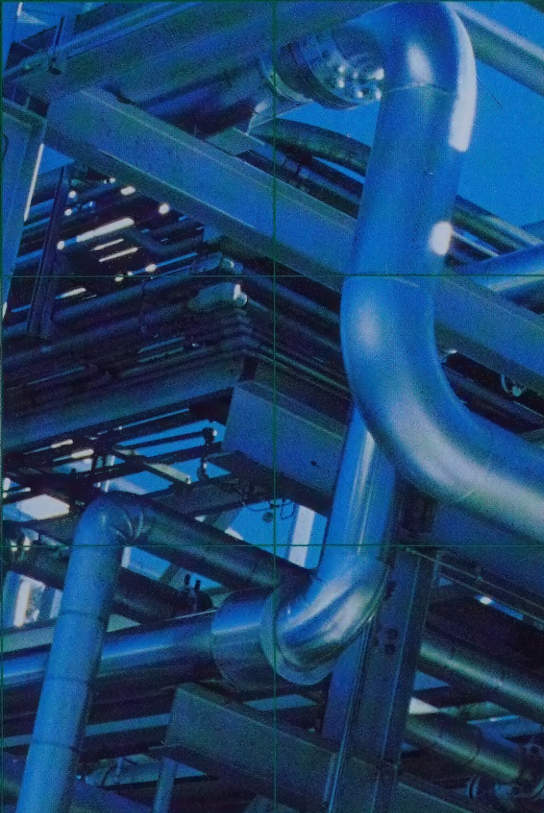
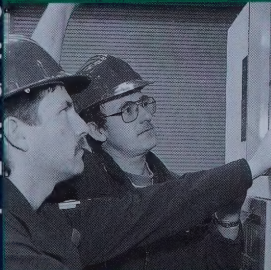


PENGROWTH ENERGY TRUST

new dimensions for growth

1997

PENGROWTH ENERGY TRUST



profile

Pengrowth Energy Trust ("EnergyTrust") is an actively managed investment royalty trust providing investors with a relatively low risk opportunity to participate in the oil and gas industry. EnergyTrust was created to enhance unitholder value through prudent acquisitions and careful management of a portfolio of producing crude oil and natural gas properties held by Pengrowth Gas Corporation ("GasCorp"). Unitholders are essentially investing in a large portfolio of oil and gas properties and receiving the cash flow as the reserves are produced.

EnergyTrust is considered a high-yield equity investment. By raising additional equity funds through the sale of trust units, EnergyTrust, through GasCorp, is able to expand its holdings and thereby both replace production and add to its reserve base. The trust units are listed on the Toronto and Montreal stock exchanges under the symbol PGF.UN.

EnergyTrust qualifies as a mutual fund trust under the Canadian Income Tax Act and, accordingly, units of the Trust are qualified investments for RRSPs, RRIFFs and DPSPs.

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pengrowth performance

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GasCorp remains focused on adding to unitholder value by acquiring only those properties that add to distributions on a per unit basis.

EnergyTrust entered a *new era*, with *New Dimensions for Growth*.

1997 HIGHLIGHTS

For Pengrowth Energy Trust, 1997 was another record-setting year during which *New Dimensions for Growth* were established in total production, revenues from the sale of crude oil, natural gas and natural gas liquids, reserve replacement and, most notably, in acquisitions.

With a 1997 year end market capitalization of \$851 million (after giving effect to the second instalment receipt receivable) Pengrowth is the largest energy royalty trust in Canada and ranks 14th among all Exploration and Production (E&P) companies in Canada by market capitalization.

Pengrowth continued a six year record of increases in distributable income – up 64 percent over 1996 – and achieved a 219 percent increase in asset value, largely due to GasCorp's major acquisition in Judy Creek/Swan Hills. Pengrowth also assumed operatorship of Judy Creek – adding a new dimension that will provide the basis for continued growth in distributions to our unitholders.

James S. Kinnear

President and Chief Executive Officer

Pengrowth achieved record increases over 1996 totals in all major categories including market capitalization up 118 percent, production revenues up 57 percent and unitholders' equity up 225 percent. Total production increased 57 percent to 14,716 boepd from 9,397 boepd in 1996. Total Established reserves increased 228 percent to 144.9 mmbob from 44.2 mmbob in 1996. With the Judy Creek/Swan Hills acquisition, Pengrowth's Reserve Life Index (RLI) increased by 3.5 years to 15.1 years.

Gordon M. Anderson

Vice President, Treasurer and Chief Financial Officer

Assuming operatorship of Judy Creek/Swan Hills through an asset purchase of \$496 million, considered the largest asset acquisition in the history of the Canadian oil patch, offered both a huge challenge and an outstanding opportunity. Thanks to our dedicated and experienced field staff, the transition has been relatively smooth and we are moving forward with development at Judy Creek.

Henry D. McKinnon

Manager, Operations



financial highlights

Distributable income to unitholders rose to a record \$2.02 per trust unit from \$1.92 per trust unit in 1996, representing an increase of 5 percent.

	1997	1996	% CHANGE
TOTAL OIL AND GAS REVENUE	\$ 122,368,240	\$ 77,828,438	57%
ROYALTY INCOME	\$ 75,468,865	\$ 48,731,165	55%
DISTRIBUTABLE INCOME	\$ 63,634,319	\$ 38,821,941	64%
Per unit	\$ 2.02	\$ 1.92	5%
NET INCOME	\$ 24,529,176	\$ 16,598,857	48%
Per unit	\$ 0.87	\$ 0.84	3%
ALBERTA ROYALTY CREDIT RECEIVABLE	\$ 1,210,510	\$ 1,452,653	-17%
LONG TERM LIABILITIES	\$ 295,695,516	\$ 22,144,451	1,235%
Per unit	\$ 6.25	\$ 0.96	551%
UNITHOLDERS' EQUITY	\$ 632,786,273	\$ 194,834,638	225%
Per unit	\$ 13.38	\$ 8.47	58%
NET ASSET VALUE *	\$ 770,569,000	\$ 241,790,000	219%
Per unit	\$ 16.30	\$ 10.51	55%
UNITS OUTSTANDING AT YEAR END	47,287,950	23,014,945	105%
MARKET CAPITALIZATION **	\$ 851,183,000	\$ 391,254,000	118%

*Based on proved plus 50% of probable reserves discounted at 12% before income taxes.

**After giving effect to the second instalment receipt receivable.

trust unit trading

	1997	1996	% CHANGE
PRICE			
High	\$ 22.45	\$ 19.00	
Low	\$ 15.00	\$ 14.50	
Close	\$ 18.00	\$ 17.00	
VOLUME	10,544,918	11,582,091	-9%
VALUE OF UNIT TRADING	\$ 192,697,226	\$ 192,712,080	0%

operational highlights

Pengrowth completed a \$496 million oil and gas property acquisition – considered the largest in the history of the Canadian oil patch – tripling the value of Established reserves to \$840 million (discounted at 12%). Despite the decline in commodity prices toward year end, overall performance showed impressive growth over 1996's results.

	1997	1996	% CHANGE
DAILY PRODUCTION			
Crude oil (bbls)	7,650	4,681	63%
Natural gas (mcf)	51,355	36,972	39%
Natural gas liquids (bbls)	1,856	964	93%
Other	74	55	35%
Oil equivalent (boe)	14,716	9,397	57%
TOTAL ANNUAL PRODUCTION (mboe)	5,371	3,430	57%
AVERAGE PRICES			
Crude oil (per bbl)	\$ 26.26	\$ 27.79	-6%
Natural gas (per mcf)	\$ 1.94	\$ 1.73	12%
Natural gas liquids (per bbl)	\$ 19.67	\$ 21.03	-6%
Oil equivalent (per boe)	\$ 22.78	\$ 22.63	1%
ESTABLISHED RESERVES			
Crude oil (mbbls)	109,003	21,359	410%
Natural gas (bcf)	257.0	197.5	30%
Natural gas liquids (mbbls)	14,694	3,734	294%
Oil equivalent (mboe)	144,962	44,236	228%
OPERATING COSTS			
Millions	\$ 32.7	\$ 18.2	80%
Per boe	\$ 6.09	\$ 5.30	15%
GENERAL AND ADMINISTRATIVE COSTS *			
Millions	\$ 2.8	\$ 2.1	33%
Per boe	\$ 0.51	\$ 0.60	-15%
ACQUISITION COSTS **			
Millions	\$ 528.0	\$ 74.9	615%
Per boe	\$ 5.33	\$ 6.41	-16%

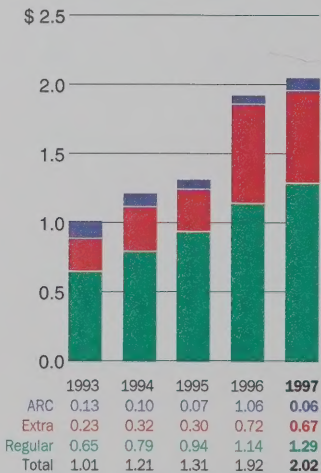
*Net of reimbursement of expenses and royalty retained by GasCorp.

**Before closing adjustments and acquisition fees.

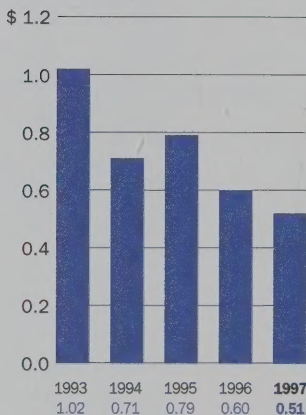
creating value

EnergyTrust achieved a record distributable income of \$2.02 per trust unit in 1997.

Distributable Income (\$ per unit)



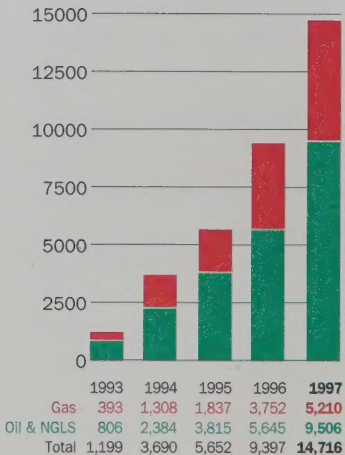
G & A Costs (\$ per boe)



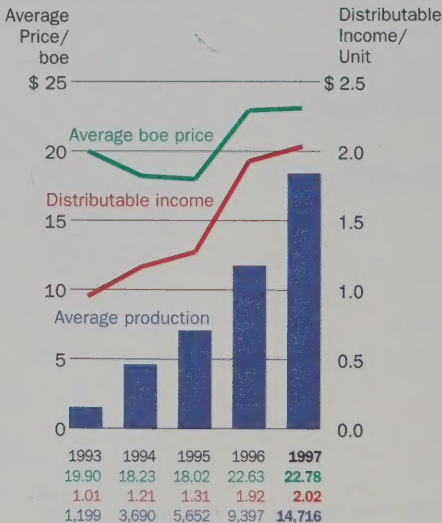
G & A costs per boe reached an all time low of \$0.51 in 1997.

Production growth through acquisitions reached record levels in 1997.

Average Production (boepd)

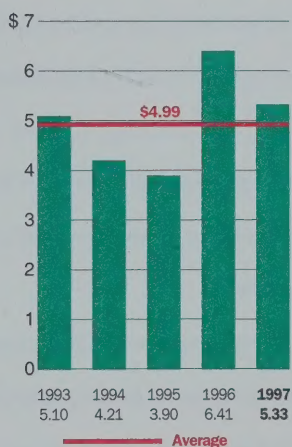


Distributable Income Growth

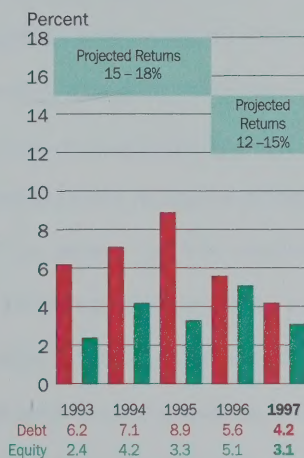


An enviable track record of growth in distributions in a relatively flat pricing environment.

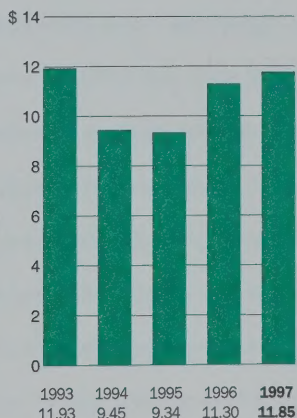
Average Acquisition Cost (\$ per boe)



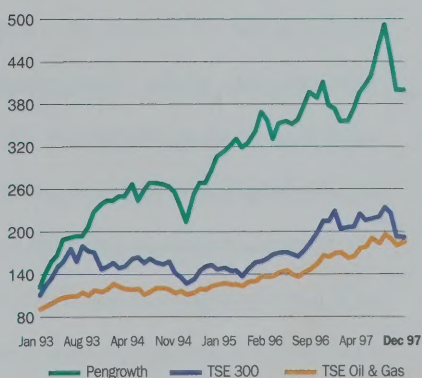
Cost of Capital vs. Projected Returns from Acquisitions



Cash Netbacks (\$ per boe)



Relative Performance Pengrowth Energy Trust vs. TSE Oil & Gas Producers Index vs. TSE 300 Index



pengrowth performance

report to unitholders



James S. Kinnear
President and
Chief Executive Officer

1997 marked a year of significant change and transition for Pengrowth Energy Trust. The substantial growth in the Trust during the year, and the assumption of operatorship at Judy Creek created challenges for Pengrowth's management. However, the year's accomplishments also opened new avenues for value creation on behalf of the unitholders in the future.

The achievement of a new plateau for EnergyTrust allows the Trust to pursue our core business while enhancing our flexibility to access new markets for capital and to pursue a wider range of acquisition opportunities.

As the year began, EnergyTrust held interests in some 60 quality producing oil and gas fields, all non-operated in Western Canada. The market capitalization was \$391 million, trailing distributable income was \$38.8 million, or \$1.92 per trust unit, and net asset value was \$8.47 per trust unit. During the year, EnergyTrust negotiated and concluded what was probably the largest property acquisition in the history of the Canadian oil patch, funded by the largest non IPO public E&P equity offering of the year. As a result EnergyTrust ended 1997 in a relatively strong financial position.

The \$496 million acquisition more than tripled the value of Established reserves discounted at 12 percent from \$249 million at year end 1996 to \$840 million as at December 31, 1997. EnergyTrust's oil and gas production has increased to the current level of approximately 24,500 barrels equivalent per day (boepd) from the 11,000 boepd rate that was achieved prior to the Judy Creek/Swan Hills purchase. Distributable income is expected to increase to the \$80-90 million range.

The main assets of the Trust are the reserves of oil and gas in the ground - EnergyTrust's Established reserves rose to 144.9 million barrels of oil equivalent (boes) at year end 1997 as compared with 44.2 million barrels of oil equivalent at the end of the previous year, and amounted to 3.0 barrels of oil equivalent per trust unit as compared with 1.9 boe per unit at year end 1996. The average life of Established reserves was also extended, with the Reserve Life Index (RLI) increasing to 15.1 years at year-end 1997, as compared with 11.6 years at the end of 1996. The RLI is

an indication of reserve life, derived by dividing total recoverable reserves by current annual production; in practice, production will actually decline over time, and EnergyTrust's total production life extends over a period of 45 years.

Pengrowth's consistent goal has been to be the best energy trust – not necessarily to become the biggest. However, the total stock market value of EnergyTrust at year end 1997 was \$851 million, making it the largest publicly held royalty trust or income fund in Canada.

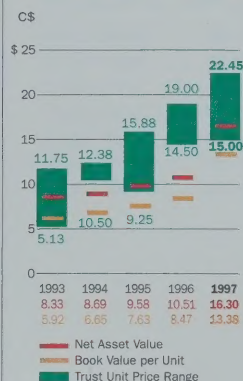
TRANSITION RATIONALE – FROM NON-OPERATOR TO OPERATOR

Pengrowth traditionally has not been an operator of oil and gas properties, and instead has acquired interests in fields that are operated by competent industry partners.

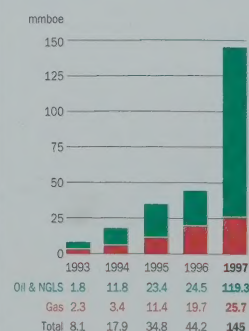
Why did Pengrowth decide to change its philosophy with the Swan Hills/Judy Creek acquisition and become the operator in the Judy Creek area?

1. As EnergyTrust grew, the opportunities available to it to add value on behalf of the unitholders was becoming more limited without acquiring interests associated with operatorship.
2. As a result of this acquisition, EnergyTrust now holds 100 percent in the Judy Creek 'A' unit and 94.6 percent in the Judy Creek 'B' unit. The total combined investment in the Judy Creek area, including the gas plant and facilities is approximately \$400 million. Third party operators are unlikely to have the same vested interest in operating on our behalf. In other words, in order to protect and enhance the value of EnergyTrust's rather substantial investment, the decision was made to become operator of these properties effective April 16, 1998 following a six month transition period.
3. This is a unique situation - it is not often that an investment of almost \$500 million can be made to acquire focussed interests in three long life producing oil units in one geographical location. Pengrowth continues to believe that operation of a

Price Relative to Book Value and Net Asset Value



Established Reserves



pengrowth performance

- scattered group of producing fields would be dilutive to our efforts, and as a result is not an attractive proposition for EnergyTrust unitholders.
4. There is a well-trained, qualified and experienced work force already in place at Judy Creek and EnergyTrust is indeed fortunate to have such a high level of skills and dedication available to it in the field. One of the main reasons that Pengrowth was hesitant to operate is its reluctance to build a large organization in Calgary and consequently EnergyTrust is characterized by relatively low overhead and general and administrative costs. The real net revenue is generated in the field. Pengrowth provides support for the field operations, while at the same time maintaining a lean cost structure. It is EnergyTrust's preference that many operational functions be performed in the field, and several of these responsibilities are being transferred back to field operations where they can be accomplished more efficiently.
5. There have been positive synergies as a result of operatorship. EnergyTrust has access to the benefits of some time-tested systems and methodology that were developed in Operations, while EnergyTrust provides management expertise and decision making, a level of support to Operations, and a solid financial platform. It is anticipated that continued strength in the Pengrowth group will result from these synergies.

ACQUISITION PHILOSOPHY

In an effort to maintain the focus of its activities, EnergyTrust has outlined geographical areas of preferred future growth. These "focus areas" include:

1. Southeast Saskatchewan – a region of relatively low decline oil production with some upside potential through horizontal drilling;

2. Southeast Alberta – a shallow gas producing area in which EnergyTrust made significant acquisitions during 1996 in order to participate in the potential recovery of Canadian natural gas prices; and

3. The Swan Hills Area – which features high quality oil producing reserves on the Swan Hills Reef complex.

Pengrowth also holds significant producing reserves in the foothills region of Alberta, an area designated in the industry as West Five.

Our goals in acquisitions are firstly to be accretive i.e. to add to distributable income and net asset value per trust unit, and secondly to maintain the very high quality of reserves through new purchases. An ideal acquisition is one which meets or exceeds our stringent investment criteria and which is physically located within one of our focus areas.

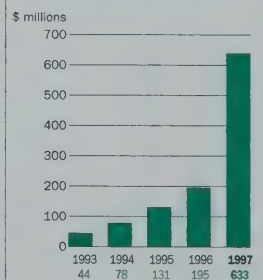
When the Judy Creek/Swan Hills acquisition opportunity arose, Pengrowth was seeking to generally extend its Reserve Life Index and to stem the overall decline in production which normally occurs with conventional reserves. Despite the total purchase price of \$496 million – larger than we would normally have considered, and the associated operatorship of the Judy Creek assets, reflecting a departure from our traditional non-operating position, the acquisition was an ideal match for EnergyTrust. The purchase is accretive, adding to distributable income and net asset value per unit and with a prudent level of development, the Judy Creek/Swan Hills assets can cause the normal production to decline to moderate, and perhaps level off over the next five years.

Looking ahead, Pengrowth intends to continue to capitalize on investment opportunities available in the marketplace. The first quarter decline in crude oil prices and corresponding fall in oil and gas share and trust unit prices makes equity financing more difficult and also more expensive from a cost of capital viewpoint than in 1997.

Historical Compound Annual Returns at December 31, 1997

1 year return	18.7%
2 year return	20.5%
3 year return	32.2%
4 year return	25.3%
5 year return	40.1%
6 year return	38.5%
7 year return	30.7%

Unitholders Equity



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Some companies may decide to market mature assets as a result of the equity market price declines, in an effort to improve their balance sheets and to provide additional capital for new investment in exploration and development programs. In addition, the major companies are continuing to rationalize their holdings, which results in additional producing properties being made available to the marketplace.

As a result, while the supply of new properties available for acquisition may remain steady or increase, the demand could be moderated due to the weaker equity markets. This is an ideal environment for EnergyTrust – the Trust is well capitalized, which through GasCorp has a total available line of credit of \$350 million, and \$81 million net bank debt at year end 1997 (after giving effect to the receipt of the second instalment). It is the intention of EnergyTrust’s management to continue its endeavours to add value for the unitholders in a potentially favourable environment for acquisitions.

GROWTH THROUGH PEOPLE

The strength and driving force of EnergyTrust is found within the dedicated, professional and hardworking people committed to continued successful management. Until recently the Trust was managed and directed by just 24 talented and experienced people at Pengrowth Management Limited. Those numbers increased by 109 with the Judy Creek/Swan Hills acquisition. Pengrowth has introduced incentives similar to those already offered to the Calgary-based group to the new Judy Creek personnel. Each and every one of our new “partners”, including a further 10 in Calgary operations, are heartily welcomed to the Pengrowth team. This exceptional group of people is geared to exceed all performance targets for 1998, with the goal of providing above average returns to all unitholders.

EFFECT OF LOWER OIL PRICES ON PENGROWTH ENERGY TRUST

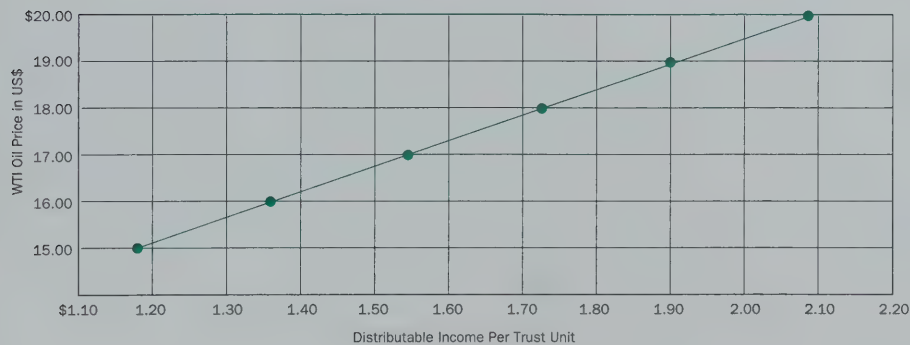
The rather steep decline in crude oil prices over the past three months has caused a re-evaluation of the near term prospects for the Canadian oil and gas industry by the investment community.

With respect to Pengrowth, following is a summary of the effect of the lower prevailing crude oil prices on EnergyTrust:

1. Distributable Income is reduced, depending upon the price of crude.

The approximate level of distributable income at various oil prices is illustrated as follows:

DISTRIBUTABLE INCOME VS. CRUDE OIL PRICES



2. Development of the Judy Creek area is continuing.

The Judy Creek assets were acquired based on a measured level of low risk development over the next five years to maximize the return on EnergyTrust's investment.

3. The efforts to reduce costs will continue.

EnergyTrust's ongoing endeavours to reduce controllable costs and general and administrative costs on a per boe basis will be continued.

4. EnergyTrust will continue to seek investment opportunities.

Traditionally EnergyTrust has made value-added acquisitions in various market environments, and a lower price environment can create periods of opportunity for conservatively financed EnergyTrust.

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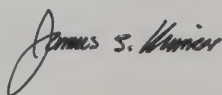
OUTLOOK FOR 1998

The 1998 outlook for oil and natural gas prices remains uncertain, partially as the result of financial turmoil in the Far East and partially from the fallout of the November, 1997 OPEC announcement of a 10 percent production increase. Oil prices may recover later in the year as OPEC responds to the current oversupply condition and as the Asian financial dislocations are resolved. The 1998 first quarter decline in crude oil prices to US\$13 – \$14 from the US\$18 – \$20 prices in the fourth quarter of 1997 may again provide Pengrowth with a unique window of acquisition opportunity.

In spite of global economic uncertainties, the future of Pengrowth Energy Trust remains robust. Oil and natural gas prices will continue to fluctuate but Pengrowth's portfolio of properties – particularly Judy Creek/Swan Hills which is characterized by relatively low production costs and high quality oil and gas – will continue to produce solid returns even with the advent of lower oil and gas prices. GasCorp has relatively low debt, and as a result is strongly capitalized and poised for acquisitions. Pengrowth has the plans to grow and the team to make those plans a reality, and will continue to progress as 1998 offers new opportunities and the potential for more success.

We express thanks to our longstanding unitholders, and to our new unitholders for their continuing loyalty and trust, and to the GasCorp Board of Directors for their wisdom and guidance.

Respectfully submitted on behalf of the Board of Directors of Pengrowth Gas Corporation.



James S. Kinnear

President and Chief Executive Officer

questions and answers

discussion with the president

Q: Are you confident Pengrowth can handle the operatorship of such a large and complex property?

A: Absolutely. Pengrowth is fortunate in having a well-trained, very experienced and enthusiastic team in place at Judy Creek that will continue to operate the oil field and gas plant in an efficient and economic manner.

Q: Does this mean Pengrowth is about to embark on an even stronger acquisition program?

A: Not necessarily. Our aim has never been to be the biggest energy trust – just the best. We are very particular about the investments we make. Each is assiduously assessed against stringent criteria including its potential to increase unitholder value. Only when it passes this meticulous scrutiny is an investment approved.

Q: As an investor, why should I choose Pengrowth?

A: Look at management, look at the portfolio – especially production, reserves and the production decline rate – look at the acquisition strategy and look at our ‘culture’. We are adaptive outside the ‘norms’. Pengrowth sets aggressive targets and our people understand accountability and commitment. The Pengrowth team strives for continuous improvement and their enormous energy is one of our main competitive advantages. In the most basic sense, Pengrowth’s people are responsible for our success and they will continue to receive tangible recognition and rewards for their contributions.

A new compensation system has been implemented at Judy Creek which will have several components to truly pay for performance. One of the components is a variable bonus program which is based on contribution to the bottom line and EnergyTrust’s performance.

Pengrowth Firsts

Pengrowth has always explored New Dimensions for Growth.

1991 – First energy trust to expand through an equity issue

1991 – First to achieve growth through acquisitions

1992 – First to introduce monthly distribution payments

1994 – First to offer the Distribution Reinvestment Program (DRIP)

1995 – First to offer optional distributions in US funds

1995 – First to offer electronic bank deposit service

1996 – First energy trust to be ranked among the top 25 percent of Canada’s largest oil and gas companies

1997 – First to offer EFEPs

questions and answers

Q: How will Pengrowth explore *New Dimensions For Growth* in 1998 and over the next five years.

A: Pengrowth will continue to capitalize on investment opportunities – this is a period of historic opportunity for us. Pengrowth is a lean, focused organization that encourages novel solutions and quick thinking. The speed with which we identify realistic opportunities and act to acquire them is one of our major strengths in today’s current buyer’s market.

Q: Will lower oil prices and other market uncertainties affect Pengrowth’s performance next year?

A: Somewhat – but our operating costs are low – approximately \$6.00 per barrel. We are currently receiving about C\$19 per barrel for crude, so oil prices would have to decline further before cash distributions would be in jeopardy.

Q: With all the positive developments, why have the trust unit and instalment unit trading prices decreased in the market?

A: Last autumn, there were numerous royalty trust and income fund offerings which saturated the market, short-term interest rates have risen in Canada and crude oil prices have weakened. Pengrowth ranked well in terms of 1997 performance, being the only conventional energy trust to end the year at a higher price than on January 1, 1997.

Q: What are the biggest challenges facing Pengrowth?

A: Managing change is one of the biggest challenges facing any organization. That is why we have developed an adaptive culture that is the cornerstone of our success. Pengrowth’s guiding principles define our common agreement about how to be, act and proceed as a successful energy trust – with the ultimate and overriding goal of always maximizing unitholder value. Adhering to these principles has made Pengrowth the number one energy trust in Canada – by almost any measure – and we intend to maintain that position.

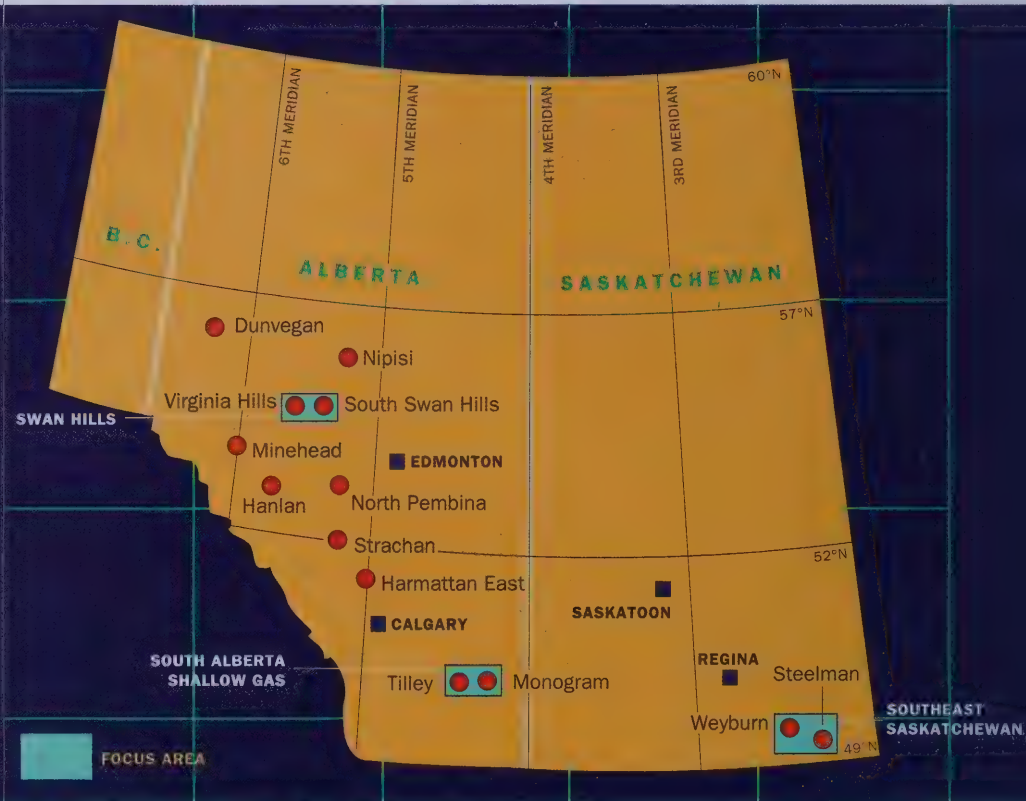
operations review

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operations review

operations at a glance



Property	Working Interest Owned (%)	Main Product	Field Operator	Remaining Reserve Life (Years)	Reserves (Mboe)	Percent of Total Reserves
Judy Creek BHL Unit	100.00	Oil	Pengrowth	49	61,075	42.1
Judy Creek West BHL Unit	94.58	Oil	Pengrowth	49	15,739	10.8
Swan Hills Unit No.1	9.58	Oil	Anderson	49	15,470	10.7
Hanlan Swan Hills Pool Gas Unit No.1	7.78	Gas	PetroCanada	31	3,888	2.7
Dunvegan Gas Unit	7.97	Gas	Anderson	44	4,505	3.1
Weyburn Unit	5.18	Oil	PanCanadian	41	7,658	5.3
Minehead	40.00	Gas	Olympia	44	2,482	1.7
Monogram Gas Unit	53.82	Gas	Talisman	26	2,713	1.9
Other Shallow Gas		Gas		38*	3,552	2.5
Other Southeast Saskatchewan		Oil		39*	5,719	3.9
Other Swan Hills		Oil		43*	6,675	4.6
Other				34.4*	15,486	10.7
Total				44.9*	144,962	100.0

* Average weighted on boe reserves

- Three core areas and three principal properties combined represent 82.6 percent of GasCorp's holdings on an asset value basis. Pengrowth operates the two largest properties. All other assets are operated by recognized industry partners.
- GasCorp's portfolio of properties is divided 17.7 percent natural gas and 82.3 percent crude oil and natural gas liquids.
- The weighted average reserve life is 44.9 years and Reserve Life Index is 15.1 years based on Established reserves.
- The average quality of crude oil is high at 40° API.

	Value at 12% P.V. Discount Factor (\$million)	Percent of Total Asset Value	Oil (bpd)	Natural Gas (mmcf/d)	Natural Gas Liquids (bpd)	Oil Equivalent (boepd)	Percent of Total Production	1997 Capital Expenditures (\$million)
	355.1	42.3	1,872	0.6	555	2,487	16.9	0.5
	85.0	10.1	540	0.2	114	675	4.6	0.6
	75.1	8.9	374	0.5	157	584	4.0	0.7
	24.9	3.0	—	9.8	6	1,035	7.0	0.5
	24.7	2.9	1	5.3	146	681	4.6	0.7
	23.4	2.8	1,056	0.2	—	1,073	7.3	1.9
	16.6	2.0	—	1.9	75	266	1.8	5.1
	15.7	1.9	—	7.7	—	772	5.2	0.2
	20.7	2.5	—	7.6	—	763	5.2	0.9
	27.3	3.2	987	0.6	—	1,049	7.1	1.1
	25.6	3.0	901	1.1	236	1,248	8.5	2.6
	145.9	17.4	1,919	15.9	567	4,082	27.8	2.8
	840.0	100.0	7,650	51.4	1,856	14,716	100.0	17.5

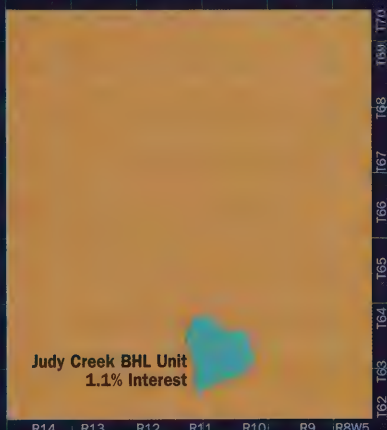


The Judy Creek assets were acquired on the basis of a measured pace of low risk development to maximize the return on Pengrowth's investment.

judy creek acquisition

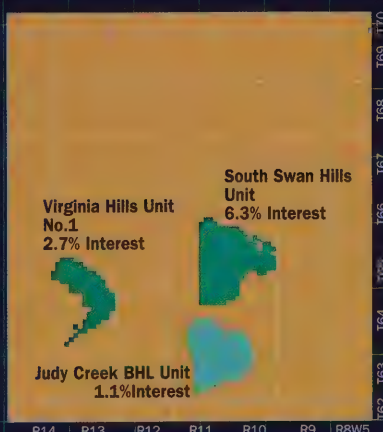


DEVELOPMENT OF JUDY CREEK / SWAN HILLS PROPERTY HOLDINGS

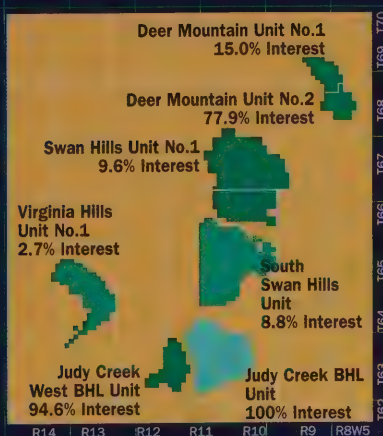


1994

- 1994 Property Acquisition
- 1995 Property Acquisition
- 1997 Property Acquisition



1995



1997

The Size of the 1997 Acquisition

Some of the largest oil fields ever discovered in Western Canada.

Total oil in place – 2.5 billion barrels of oil.

Swan Hills Unit #1 – second largest conventional crude oil unit in Canada, producing 26,800 boepd.

Judy Creek Beaverhill Lake Unit – fourth largest conventional crude oil unit in Canada, producing 9,000 boepd.

Judy Creek West Beaverhill Lake Unit – Current production is approximately 3,000 boepd.

Together, these three properties represent 1.6% of Canada's total oil production.

<div data-bbox="25 25 240 40" data-label="Page-Header"> <p>PENGROWTH ENERGY TRUST</p> </div>	<div data-bbox="289 92 620 135" data-label="Section-Header"> <h2>operations review</h2> </div>	
<div data-bbox="28 365 190 386" data-label="Section-Header"> <h3>Interests Acquired</h3> </div> <div data-bbox="28 396 264 811" data-label="List-Group"> <ul style="list-style-type: none"> • A 98.1% interest in the Judy Creek Beaverhill Lake Unit. • The unit interest was subsequently increased to 100%. • A 94.6% interest in the Judy Creek West Beaverhill Lake Unit. • A 9.6% interest in the Swan Hills Unit #1. • An approximate 50% interest in the Judy Creek Gas Conservation Plant. • Numerous gathering and pipeline facilities. </div> <div data-bbox="28 1433 184 1479" data-label="Section-Header"> <h3>The Impact of the Acquisition</h3> </div> <div data-bbox="28 1489 264 1630" data-label="Text"> <p>Increased asset value per trust unit by 63% – from \$10.02 per unit at July 1997 to \$16.30 per unit at the end of December 1997.</p> </div>	<div data-bbox="289 365 874 386" data-label="Section-Header"> <h3>THE LARGEST ACQUISITION IN CANADIAN OIL HISTORY</h3> </div> <div data-bbox="289 417 1204 697" data-label="Text"> <p>The Judy Creek/Swan Hills producing units were acquired from Imperial Oil Resources in October 1997. This is considered to be the largest oil and gas property acquisition in the history of the Canadian oil patch, and it was financed by the largest non-IPO (Initial Public Offering) oil and gas equity offering of the year. The \$496 million acquisition tripled the value of Pengrowth's Established reserves to \$840 million and increased our overall production by 136 percent.</p> </div> <div data-bbox="289 726 1204 852" data-label="Text"> <p>The acquisition includes a 50 percent interest in seven natural gas processing plants – one of the largest facilities of its type in Western Canada with a production capacity of over 140 million cubic feet a day.</p> </div> <div data-bbox="289 933 537 954" data-label="Section-Header"> <h3>AN IDEAL ACQUISITION</h3> </div> <div data-bbox="289 985 1204 1215" data-label="Text"> <p>The Judy Creek/Swan Hills properties have among the longest reserve life indexes of all conventional oil and gas fields in Western Canada at an 18.2 year RLI. The producing units feature relatively low decline rates and operating costs of approximately \$6.00 per boe. The crude oil is of very high grade, 40° API, and further development could offset potential declines.</p> </div> <div data-bbox="289 1296 683 1317" data-label="Section-Header"> <h3>A NEW DIMENSION – OPERATORSHIP</h3> </div> <div data-bbox="289 1348 1204 1421" data-label="Text"> <p>For the first time, GasCorp will own and operate over 50% of its assets following the end of a six month transition period that ends on April 15, 1998.</p> </div> <div data-bbox="289 1503 564 1524" data-label="Section-Header"> <h3>A TRANSITION SNAPSHOT</h3> </div> <div data-bbox="289 1555 1204 1887" data-label="Text"> <p>Human Resources – Henry McKinnon joined GasCorp as Manager, Operations in November 1997, bringing 20 years of production operations experience and team building to Pengrowth. Nearly every Imperial Oil Resources employee at Judy Creek accepted the offer to join Pengrowth on April 16, 1998, the changeover date. Our experienced team is enthusiastic about the new developments we have planned for Judy Creek and will participate directly in its success through trust unit options, bonuses and other incentives that were not generally available to all Judy Creek employees prior to the acquisition.</p> </div>	

Systems Improvements - Pengrowth will expend up to \$3.5 million on computer hardware and software. The Information Systems (IS) program includes the following:

- The installation of Pentium II 233 desktops in both Calgary and Judy Creek
- The upgrade of the SAP program used in the oil operations at Judy Creek from R-2 to R-3
- The installation of Triangle for production accounting, which is compatible with the oil and gas accounting (PW*Sequel) program
- The provision of a new field data capture program to replace Octagon
- The installation of computer links between Judy Creek and Calgary

A DEVELOPING OPPORTUNITY

Pengrowth expects to achieve significant incremental additional oil recovery through the use of proven technology.

Horizontal Drilling

In a vertical well, the injected solvent quickly moves to the top of the reservoir, limiting its efficiency. By placing a horizontal injection well at the bottom of the reservoir, the solvent sweeps a significantly larger portion of the reservoir and forces incremental amounts of oil to the wellbore.

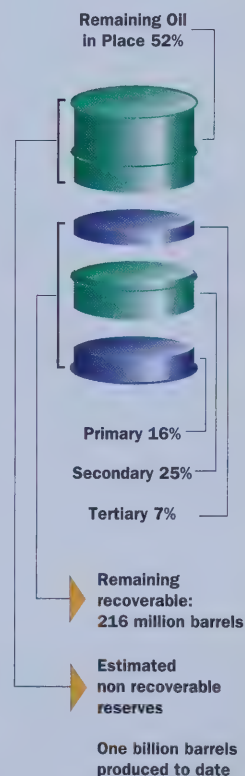
Two horizontal injection wells are planned for the Judy Creek 'A' Pool miscible flood area. The first well location has been prepared for the rig and drilling is expected to commence in late March.

The production response from the offset producer wells from this miscible injection should be apparent during the fourth quarter of 1998.

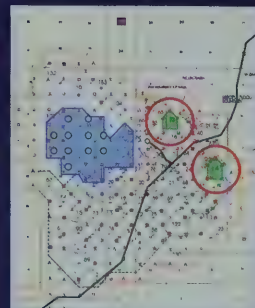
These are the first stages of an ongoing program to optimize miscible flood recovery. Previous experience with horizontal injection wells by other operators in both the Swan Hills Unit and the South Swan Hills Unit indicates that there is considerable upside potential in both production rates and ultimate recovery. Expected incremental recovery from each of the horizontal miscible injectors is approximately 1.0 million barrels of oil at a development cost of less than \$4.00 per boe.

Potential Oil Recovery

Total = 2.5 billion barrels

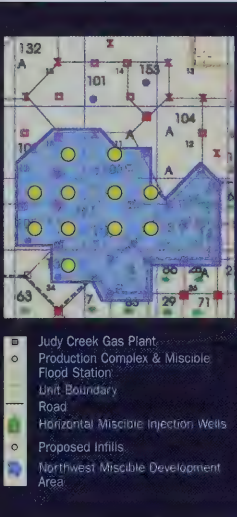


Horizontal Miscible Injectors
NW Miscible Pattern Expansion -
Judy Creek "A" Unit



operations review

Proposed Infill Wells
Northwest Pattern
Development



Miscible Injection Well



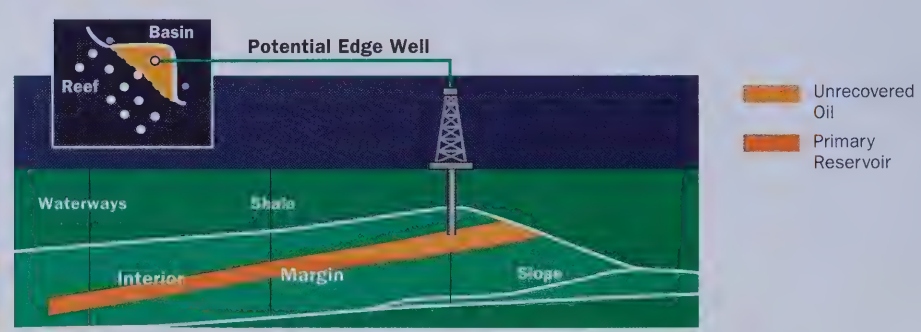
Infill Drilling

Pengrowth is evaluating the potential to infill drill and expand the miscible flood pattern in the northwest area of the Judy Creek 'A' Pool. Most wells in the area are currently on 160 acre spacing, and an increase in density to 80 acre spacing is expected to improve production significantly.

Infill drilling of up to 15 new wells and miscible flooding may occur in the northwest area of the Judy 'A' Pool during the 1999 – 2000 period, with production from these new wells potentially commencing in 1999.

Edge Well Drilling

Pengrowth also plans to undertake a 3-D seismic survey over the Judy 'A' unit to assess the prospects for drilling along the unit reef edges. 3-D seismic enables Pengrowth to more accurately define the limits of the reef edge and determine locations at which wells can be drilled with a higher probability of success.



PROGNOSIS FOR THE FUTURE

Production increases normally lag the development program due to the response time required for liquids to flow to the injector from the miscible injector. As a result, the 1998 horizontal miscible injector program is not forecast to have a significant impact on Judy Creek 'A' oil production until 1999.



property review

SWAN HILLS

The Swan Hills core area includes the following properties:

Properties	Working Interest Percentage
Judy Creek Beaverhill Lake Unit	100.00
Judy Creek West Beaverhill Lake Unit	94.58
Swan Hills Unit No. 1	9.58
South Swan Hills Unit	8.84
Virginia Hills Unit No. 1	2.68
Deer Mountain Unit No. 1	77.91
Deer Mountain Unit No. 2	14.98

With the 1997 acquisition of Judy Creek/Swan Hills, this core area now represents 64 percent of GasCorp’s total asset value, 68 percent of the oil equivalent reserves and 34 percent of the 1997 oil equivalent production. Details of the acquisition and a description of the operational activities on the Pengrowth operated properties at Judy Creek begin on page 19 of this report.

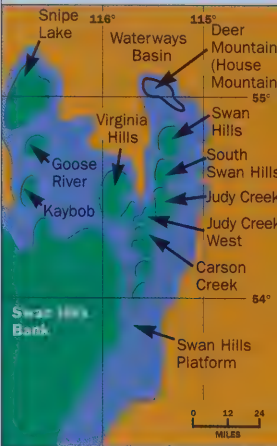
Capital expenditures on the non-operated properties in the Swan Hills core area totalled \$3.3 million in 1997.

GEOLOGICAL DISCUSSION

Swan Hills Oil Pools – Central Alberta

The producing horizons at Swan Hills are of Devonian age and lie upon the Swan Hills reef platform. The oil pools are found in isolated atoll-like limestone reefs which average 200 feet in thickness and are generally oil bearing. The producing reservoirs are generally sealed vertically and laterally by shales and limestones.

Geological Map of the Swan Hills Area





The Judy Creek/Swan Hills acquisition provides an opportunity to offset the production decline over the next five years.

The first of these oil-bearing reefs was discovered at Virginia Hills in 1956, and at least a dozen more have been discovered since that time. The oil is typically high gravity with a low sulphur content. The reefs represent world-class oil fields, with three of these pools being among the 15 largest conventional fields discovered in Western Canada.

Total initial in-place reserves for the Swan Hills reefs are estimated to be 6 billion barrels of oil, with recoverable reserves of approximately 2.5 billion barrels, representing approximately 14 percent of Western Canada's conventional recoverable crude oil reserves.

RECENT DEVELOPMENTS AT PENGROWTH'S MAJOR PROPERTIES

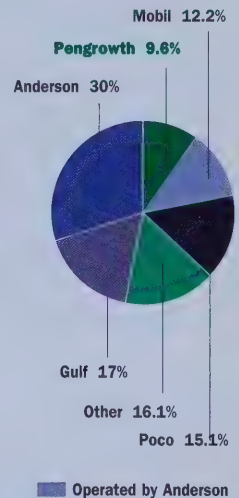
AT SWAN HILLS UNIT NO.1 seven wells were drilled – two wells in the East platform area, two reef edge wells and three main reef wells. A second horizontal miscible injection pattern requiring a new horizontal injection well and a vertical production well was approved for drilling in 1998.

AT SOUTH SWAN HILLS UNIT a second horizontal miscible injection pattern was developed which required drilling a new horizontal injection well and a new vertical production well. The active workover program continued in 1997, aimed at optimizing fluid withdrawal rates and improving zonal management of the reservoir. The Unit has approved drilling five horizontal re-entry wells to improve waterflood sweep and recovery in 1998. Further wells are contemplated if the results of this initial program prove successful.

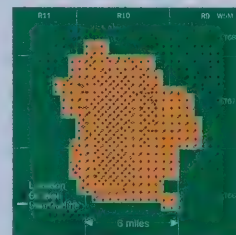
AT VIRGINIA HILLS UNIT NO. 1 the first horizontal miscible injection pattern was implemented in 1997, with the drilling of a horizontal re-entry. A very successful horizontal reef edge well for the unit was also drilled, while a second horizontal reef edge well is expected to be drilled in 1998.

Four horizontal miscible injection patterns have now been implemented in the non-operated properties in the Swan Hills core area. The results achieved to date are illustrated in the accompanying figures. This recovery technique is expected to be increasingly relied upon over the next few years.

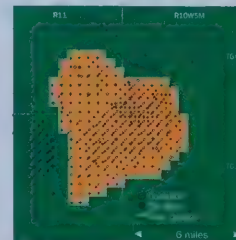
Swan Hills Unit No. 1 Ownership



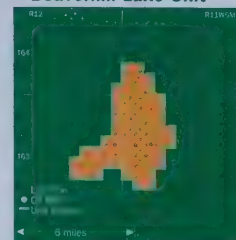
Swan Hills Unit No. 1



Judy Creek Beaverhill Lake Unit

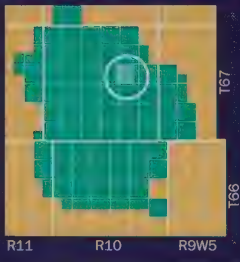


Judy Creek West Beaverhill Lake Unit

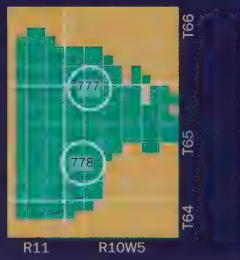


operations review

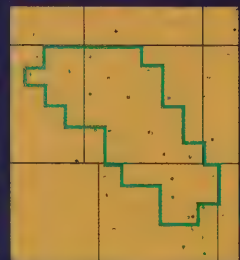
Swan Hills Unit No. 1 Miscible Injection Pattern



South Swan Hills Unit Miscible Injection Patterns

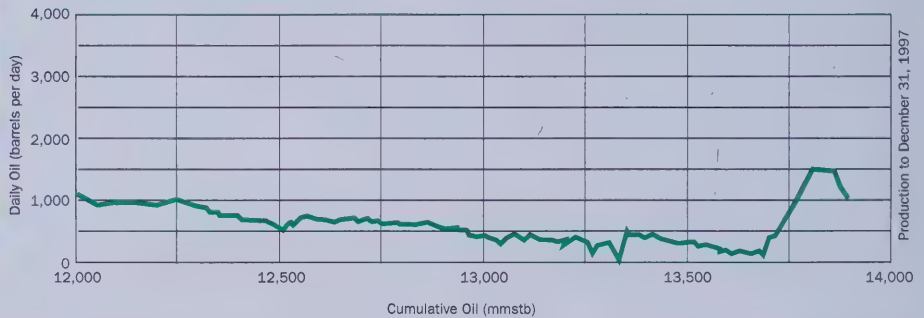


Hanlan Swan Hills Gas Pool Unit No. 1

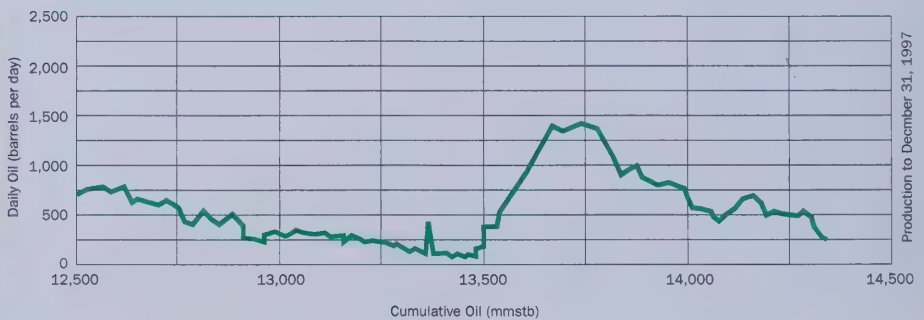


HORIZONTAL INJECTION PATTERNS

SWAN HILLS UNIT NO. 1 - HORIZONTAL INJECTION PATTERN - DRILLED IN 1997 EFFECT ON OIL PRODUCTION



SOUTH SWAN HILLS UNIT - HORIZONTAL INJECTION PATTERN - DRILLED IN 1994 EFFECT ON OIL PRODUCTION



MAJOR NON-OPERATED INTERESTS - RECENT DEVELOPMENTS

HANLAN SWAN HILLS GAS POOL UNIT NO. 1

Hanlan Swan Hills Gas Pool Unit No. 1 represents 3 percent of GasCorp's total asset value, and 7 percent of 1997 oil equivalent production.

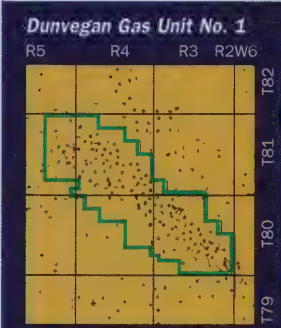
Gas production in 1997 increased 39 percent as a result of drilling a horizontal gas well. Total capital expenditures on this property were \$0.5 million.

The Hanlan Robb Gas Plant will be de-bottlenecked in 1998 to accommodate new gas volumes to be delivered to the plant via the new Central Foothills Gas Gathering System owned and operated by ANG Gathering & Processing Ltd. GasCorp is expected to benefit by earning incremental processing revenue and realizing reduced operating costs.

DUNVEGAN GAS UNIT NO. 1

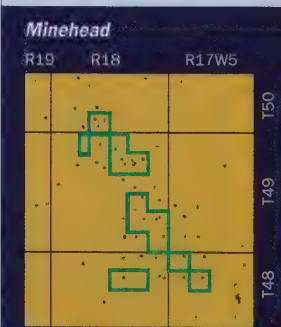
Dunvegan Gas Unit No. 1, GasCorp’s original acquisition, continues to be a major asset. This property represents 3 percent of total asset value, and 4.6 percent of 1997 oil equivalent production.

Three horizontal gas wells were drilled in 1997, at a cost of \$0.7 million, to access reserves under the Peace River which could not be produced using conventional vertical wells. Three additional horizontal gas wells under the Peace River are planned for 1998. Five vertical wells have also been proposed for 1998 as step-out gas wells to existing production. The oil equivalent production in 1997 remained stable at the 1996 rate.



MINEHEAD

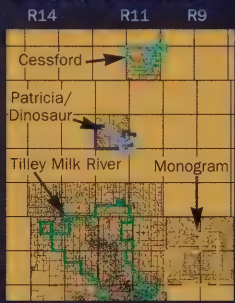
In January 1997, GasCorp acquired a 40 percent interest in various working interests in the Minehead property for \$5.4 million. This underdeveloped property was then actively exploited throughout 1997 – four shut-in gas wells were tied-in; five new vertical infill gas wells and one horizontal gas well were drilled, completed, equipped and tied-in. The Minehead compressor station was expanded to accommodate increased volumes, and a transportation and processing agreement to deliver gas to the Edson gas plant under a long term contract was negotiated. Capital expenditures totalled \$5.1 million in 1997. These efforts were highly successful as oil equivalent production rose from 0.2 mmcf per day to 4.1 mmcf per day and asset value increased to \$16.6 million, based on a 12 percent present value discount factor.



The Minehead property represents 2 percent of GasCorp’s total asset value, 1.7 percent of oil equivalent reserves and 1.8 percent of 1997 oil equivalent production.

operations review

Shallow Gas Interests



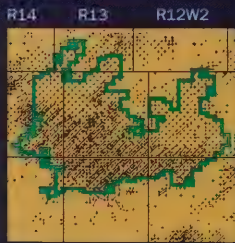
SOUTH ALBERTA SHALLOW GAS

GasCorp's South Alberta shallow gas core area was established in 1996 when Canadian natural gas prices were at a cyclical low and the gas market experienced a peak in the differential between Canadian and US spot prices. It is now anticipated that Canadian producers will benefit from improved natural gas prices over the next year as new pipeline capacity to export gas to the U.S. market comes on stream.

The South Alberta shallow gas core area represents 4.4 percent of GasCorp's total asset value, 4.4 percent of oil equivalent reserves and 10.4 percent of the 1997 oil equivalent production.

Development expenditures totalling \$0.9 million were made to recomplete 56 existing wells to produce gas from undeveloped zones in the Patricia Gas Unit No. 1 and Dinosaur Unit. An additional \$0.2 million was expended to reconfigure well bores to produce gas more efficiently in the Monogram Unit. Gas production from this core area is up approximately 66 percent in 1997 over 1996, reflecting the 1997 development expenditures and ownership of these properties for a full year.

Weyburn



SOUTHEAST SASKATCHEWAN

Prior to the Judy Creek acquisition, the South East Saskatchewan core area was GasCorp's largest asset. It now represents 6.1 percent of the total asset value, 9.2 percent of the oil equivalent reserves and 14.4 percent of the 1997 oil equivalent production.

Small incremental acquisitions totalling \$1.1 million were made in various units during 1997.

At the Weyburn Unit the horizontal drilling program continued with \$1.9 million invested to drill 27 horizontal wells. Phases 14 and 15 of the horizontal well infill drilling program which began at year-end will continue in 1998 with an additional nine new horizontal wells and 10 re-entry wells to be drilled. Working interest owners also authorized the implementation of Phase 1 of a Carbon Dioxide Miscible Flood Project. GasCorp's share of Phase 1 costs is estimated to be \$10.3 million to be expended over seven years to recover a fore-

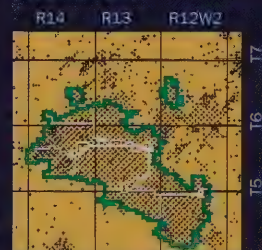


casted incremental 3.1 million barrels of oil net to GasCorp. Injection of carbon dioxide is expected to commence in October, 1999.

At Steelman Unit No. 2, \$0.7 million was spent to drill three horizontal wells. Two additional horizontal wells will be drilled in 1998. Application of horizontal drilling to increase production rates and recoverable reserves will be extended to Steelman Unit No. 1A, Steelman Unit No. 4 and Steelman Unit No. 6 in 1998. Each unit has approved drilling three horizontal wells.

These capital expenditures were successful in arresting the natural production decline as oil production in the Steelman area was up 1.1 percent in 1997 over 1996.

Stelman Units



OTHER ACQUISITIONS

Two other significant purchases were concluded in 1997. GasCorp acquired an initial 4.02 percent working interest in the Ghost Pine Unit for \$6.6 million and an incremental 6.55 percent working interest in the Niton Unit for \$2.3 million. Both transactions closed in May, 1997.

The Ghost Pine Unit is operated by Gulf Canada Resources Limited. Established reserves at January 1, 1998, net to GasCorp, were 0.5 mmboe. GasCorp sells its share of gas from this unit to an aggregator.

SUMMARY OF 1997 ACQUISITIONS

ESTABLISHED RESERVES

	Barrels of Oil Equivalent Mbbbls	Acquisition Price(1)		Expected Rate of Return, Percent	Remaining Life, Years
Property		M\$	\$/boe		
ACQUISITIONS					
Minehead	1,141	5,420	4.75	14.0	48.0
Deer Mountain Units	2,571	13,437	5.22	11.2	49.8
Niton Unit & Non-Unit	385	2,257	5.87	14.0	34.0
Ghost Pine Unit	638	6,569	10.29	12.4	15.0
Stelman/Weyburn	221	1,037	4.69	13.5	42.3
Judy Creek/Swan Hills	94,187	499,277	5.30	12.6	49.5
Total [2]	99,143	527,997	5.33	14.1	49.2

Notes: [1] Before closing adjustments and acquisition fees [2] Average weighted on boe

operations review

1997 operations

SUMMARY OF RESERVES AT JANUARY 1, 1998*

Gross Interest Reserves					Estimated Future Net Cash Flow Before Income Tax		
					(\$000)		
	Natural gas (bcf)	Crude oil (mbbls)	Natural gas liquids (mbbls)	BOE (mbbls)	Discounted @		
					0%	12%	15%
Proved							
Producing	189.8	65,721	12,728	92,992	\$1,209,993	\$ 574,738	\$ 508,656
Non-producing	39.4	27,310	464	32,125	462,029	157,021	124,531
Total proved	229.2	93,031	13,192	125,117	1,672,022	731,759	633,187
Probable (50 percent)	27.8	15,972	1,502	19,845	369,460	108,284	88,130
Total Established	257.0	109,003	14,694	144,962	\$2,041,482	\$ 840,043	\$ 721,317

* Based on a Gilbert Laustsen Jung Associates Ltd. September 1, 1997 reserve evaluation report and adjusted for production and acquisitions to January 1, 1998.

PRICE ASSUMPTIONS*

	Crude Oil		Natural Gas Alberta Average (C\$ per mmbtu)
	WTI @ Cushing (US\$ per bbl)	Light, Sweet @ Edmonton (C\$ per bbl)	
1998	19.00	25.75	1.60
1999	20.00	26.75	1.85
2000	20.75	27.25	2.00
2001	21.50	28.00	2.15
2002	22.00	28.75	2.30
2003	22.50	29.50	2.45
2004	23.00	30.00	2.60
2005	23.50	30.75	2.70
2006	24.00	31.25	2.75
2007	24.50	32.00	2.80
2008	25.00	32.75	2.90
2009+	+2.0 percent/yr	+2.0 percent/yr	+2.0 percent/yr

* Gilbert Laustsen Jung Associates Ltd. price assumptions effective January 1, 1998.
The forecast assumes an exchange rate of 0.71 C\$/US\$ and a 2 percent inflation rate.



RESERVES

GasCorp’s active 1997 acquisition program resulted in a 227.7 percent increase in reserves to 145.0 million boe from 44.2 million boe on a proven plus 50 percent of probable (Established) reserves basis. As at January 1, 1998 the reserves were weighted 75.2 percent crude oil, 17.7 percent natural gas and 7.1 percent natural gas liquids and sulphur.

Crude oil reserves were 410 percent higher at 109 million barrels, largely the result of acquisitions at Judy Creek and Swan Hills. Natural gas reserves increased 30 percent to 257 bcf largely due to the acquisition of the Ghost Pine Unit interest and the acquisition and subsequent development at Minehead. Reserves of natural gas liquids increased by 11 million barrels (294 percent) to 14.7 million barrels.

		Alberta Natural Gas Liquids		
		Field Ethane (C\$ per bbl)	Edmonton Propane (C\$ per bbl)	Edmonton Butane (C\$ per bbl)
	1998	5.50	16.25	16.00
	1999	6.50	15.75	16.75
	2000	7.00	16.25	17.25
	2001	7.50	17.00	18.00
	2002	8.00	17.75	18.75
	2003	8.50	18.50	19.50
	2004	9.00	19.00	20.00
	2005	9.50	19.75	20.75
	2006	9.50	20.00	21.25
	2007	9.75	20.50	22.00
	2008	10.00	21.00	22.75
	2009+	+2.0 percent/yr	+2.0 percent/yr	+2.0 percent/yr

operations review

FINDING AND DEVELOPMENT COSTS

Finding and development costs, including acquisitions, were \$5.14 per boe in 1997; on-stream costs excluding acquisitions were \$2.52 per boe and acquisition costs were \$5.33 per boe. The very low on-stream cost is attributed to successful development drilling conducted on the Minehead property which resulted in a large positive reserve revision. The rolling three-year average finding and development costs were \$3.31 per boe excluding acquisitions and \$5.09 per boe including acquisitions.

	Year Ended December 31 1997	Year Ended December 31 1996	Year Ended December 31 1995	Three Year Summary
Total development expenditures (\$mm)	17.5	10.3	3.8	31.6
Total Established reserve additions including revisions and excluding acquisitions (mboe)	6,954	1,826	780	9,560
Average on-stream cost per boe	2.52	5.64	4.87	3.31
Total acquisition expenditures (\$mm)	528.0	74.9	71.4	674.3
Total Established reserve additions from acquisitions (mboe)	99,143	11,689	18,309	129,141
Average acquisition cost per boe	5.33	6.41	3.90	5.22
Total finding and development costs (\$mm)	545.5	85.2	75.2	705.9
Total Established reserve additions, including revisions (mboe)	106,097	13,515	19,089	138,701
Average finding & development cost per boe	5.14	6.30	3.94	5.09

OIL AND NATURAL GAS PRODUCTION

On an oil equivalent basis, 1997 production increased 56.6 percent to 14,716 bpd from 9,397 bpd in 1996. Production from Pengrowth assets prior to the Judy Creek/Swan Hills acquisition was weighted 50.3 percent crude oil, 39.6 percent natural gas and 10.1 percent natural gas liquids. Production on an oil equivalent basis was forecast to decline from expected year-end 1997 levels by only 2.5 percent over the next two years assuming no further revisions to reserves or acquisitions.

Crude oil production in 1997 increased 63 percent to 7,650 bpd, mainly as a result of the Judy Creek/Swan Hills acquisition. Crude oil production in 1998 is expected to be approximately 122 percent higher than 1997 levels reflecting the ownership of the Judy Creek/Swan Hills assets for a full year.

OPERATING COSTS

In 1997 operating costs per boe of production were \$6.09, up 14.9 percent from \$5.30 in 1996 due to the higher operating costs associated with an increased proportion of crude oil production.

CAPITAL EXPENDITURES

Capital expenditures for GasCorp's properties totalled \$17.5 million in 1997, compared to the 1996 level of \$10.2 million. Capital spent on drilling, completing and equipping wells totalled \$14.5 million (83 percent) while \$3.0 million (17 percent) was spent on oil and gas facilities and tie-ins.

GasCorp's share of 1998 capital expenditures for development drilling and production facilities are forecast by Gilbert Laustsen Jung Associates Ltd. at \$31.1 million.

During 1997 GasCorp expended \$528 million (1996 – \$74.9 million) to purchase interests in new oil and gas properties and incremental interests in existing holdings.



A view of the Judy Creek Gas Conservation facilities at Swan Hills, Alberta.

marketing

NATURAL GAS

1997 represented a relatively strong year with respect to natural gas prices in both Canada and the United States despite El Niño's dampening effect on the natural gas market.

Nymex natural gas prices averaged US\$2.61 per mmbtu during 1997, representing an increase of 11 percent over the 1996 average of US\$2.35 per mmbtu. This is the highest annual average price recorded since the inception of Nymex natural gas futures trading.

Canadian aggregator netback prices increased during 1997, recovering from an 11 year low in 1995. Pan-Alberta Gas Ltd.'s price averaged C\$2.08 per gigajoule, Progas reported an average price of C\$1.90 per gigajoule while TransCanada Gas Services' average price was C\$1.73 per gigajoule.

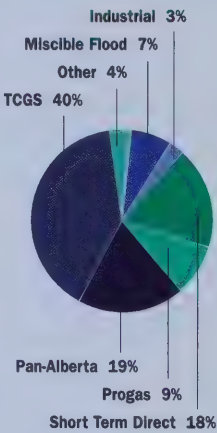
The average One Month Spot Gas Price at Aeco "C" was C\$1.78 per gigajoule in 1997, compared with C\$1.32 in 1996, representing an increase of 35 percent.

During 1997, GasCorp sold approximately 68 percent of its natural gas production to Pan-Alberta, Progas, and TransCanada Gas. The remainder was sold on a direct basis, or injected into GasCorp's newly-acquired miscible flood properties at Judy Creek and Swan Hills.

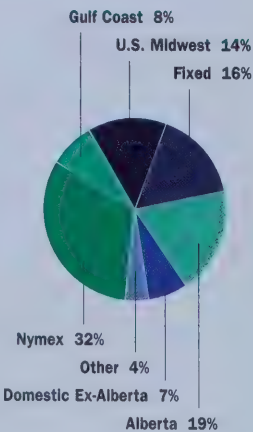
GasCorp realized an overall average plantgate price of C\$1.94 per mcf, an increase of 12 percent versus the 1996 average price of C\$1.73 per mcf representing a 9 percent increase over the Alberta average.

Within GasCorp's pricing portfolio, 26 percent of production was sold within Alberta, 22 percent was marketed in Eastern Canada, 45 percent was diversified to various regions of the United States, and approximately 7 percent was absorbed for proprietary use. Natural gas production increased 38.9 percent during 1997 with an average production rate of 51.4 mmcf per day versus the 1996 average of 37 mmcf per day.

Natural Gas Sales Portfolio by Customer

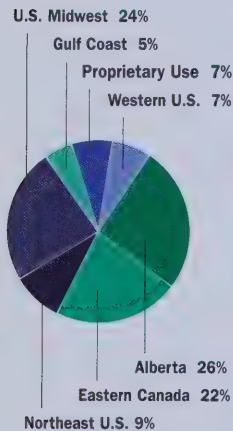


Natural Gas Sales Portfolio by Price Structure



operations review

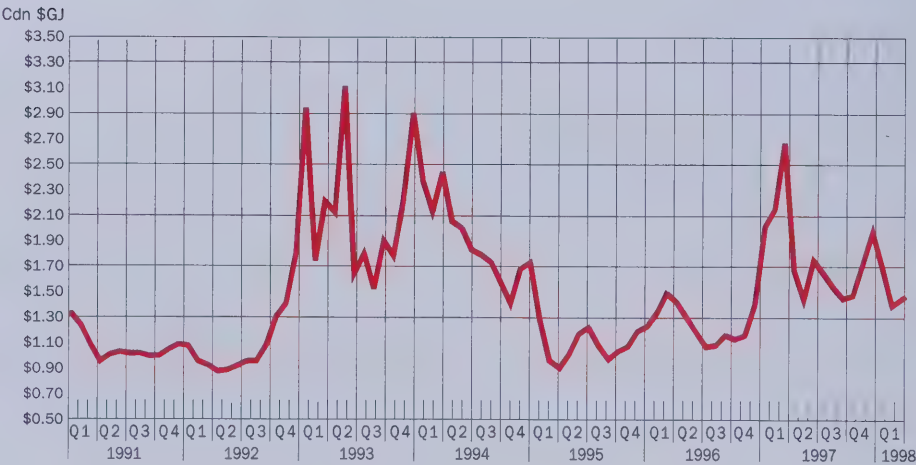
Natural Gas Sales
Portfolio by
Market Region



GasCorp has capitalized on the recent strength in the 1998 summer market, the winter 1998/1999 market and the summer 1999 market by selling forward approximately 9 mmcf per day of natural gas or 14 percent of its current daily production. Prices obtained for the 1998/1999 contract year are, on average, in excess of C\$2.10 per gigajoule, which should assist in increasing the annual average price for the next contract year.

More than one billion cubic feet per day of new export capacity will be added in the Fall of 1998, and in 1999 more capacity is scheduled for construction by the Alliance Pipeline project. This should enable Alberta production to de-bottleneck, and should lead to Alberta natural gas being a more valuable commodity.

ONE MONTH SPOT GAS PRICE AECO "C"



CRUDE OIL

West Texas Intermediate (WTI) at Cushing, Oklahoma began the year with an average price of US\$25.18 per barrel. The price strength was due to a number of factors including a very cold winter across North America keeping the American Petroleum Institute (API) inventory statistics low for crude oil, gasoline and distillates. Also, the continuing non-conformity by Iraq with U.N. weapons inspections inflated crude prices.

The monthly average prices of WTI declined as inventories grew in the later stages of the year. The El Niño weather pattern has been a significant factor in the build-up of North American supply. For example, the December 1997 calendar month average for WTI was US\$18.32 per barrel, almost US\$7.00 per barrel lower than in January 1997, or a 27 percent decrease. Also contributing to the over-supply was an increase in the OPEC production quota from 25.5 million barrels per day to 27.5 million barrels per day, announced in November, 1997 and, more significantly, the overproduction by some OPEC countries such as Venezuela.

Nymex WTI prices averaged US\$20.62 per barrel in 1997 compared with the 1996 average WTI price of US\$22.02, representing a 7 percent decrease. Canadian prices averaged C\$28.55 in 1997, a decrease of 3 percent over the 1996 average of C\$29.37.

Light crude oil at Edmonton has followed a similar pattern to US prices. The year began with a US\$0.50 per barrel differential to WTI, and grew to US\$0.72 per barrel as Canadian supply became less reliable. Increasing apportionment (restrictions) on Interprovincial Pipe Line (IPL), Canada's major crude oil carrier, has lead refiners to purchase more reliable (in terms of delivery) foreign crudes. The weakening of the Canadian dollar has partially offset the effect of crude oil price declines.

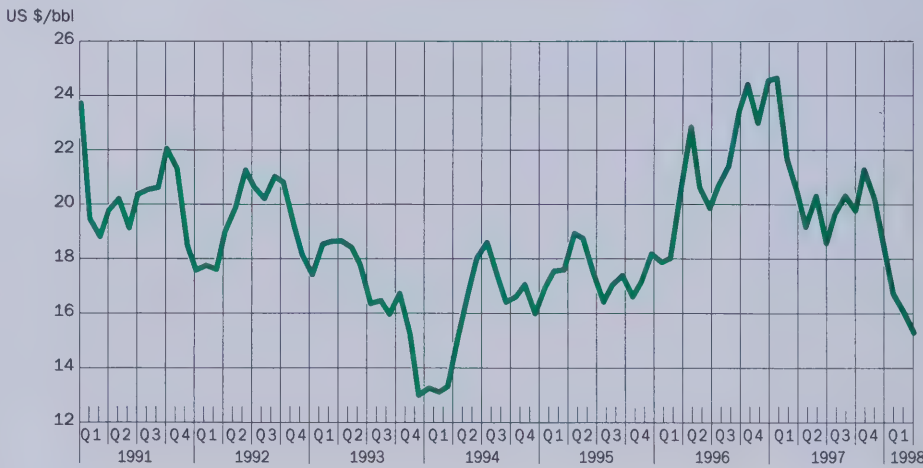
operations review

During 1997, GasCorp's crude oil production averaged 7,650 bpd, a 63.4 percent increase over the 1996 average of 4,681 bpd. Light sweet crude represents approximately 79 percent of GasCorp's portfolio while medium represents approximately 21 percent. The average grade of GasCorp's production is 40° API.

GasCorp's average price received for crude oil sales during 1997 was C\$26.26, a 6.5 percent decline below the 1996 average of C\$27.79 per barrel.

GasCorp's 1997 crude oil marketing strategy was extremely successful, obtaining premium prices in the marketplace, and premium contracts have been again negotiated for the 1998 contract year for volumes, representing approximately 33 percent of GasCorp's crude oil production. Apportionment did not affect GasCorp's crude oil sales during 1997.

NYMEX WTI CRUDE OIL PRICES





operations review

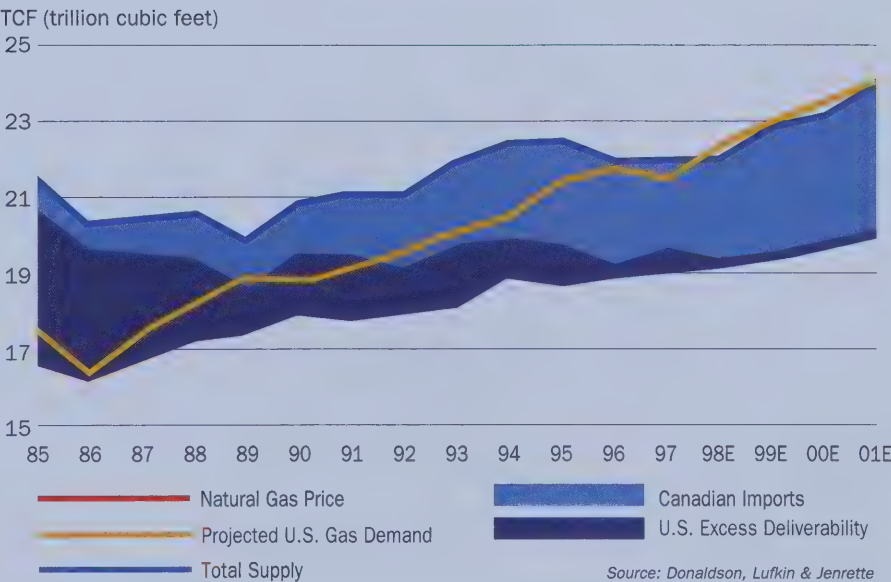
commodity outlook

U.S. NATURAL GAS SUPPLY/DEMAND AND PRICES

U.S. SPOT GAS PRICES



U.S. SUPPLY/DEMAND



NATURAL GAS

U.S. natural gas prices have retreated in recent months to the US\$2.10 – 2.20 per mmbtu range reflecting, in part, the impact of El Niño on gas consumption. However, recent prices remain above the US\$2.00 level, as compared with lows in the vicinity of US\$1.00 per mmbtu earlier in the decade.

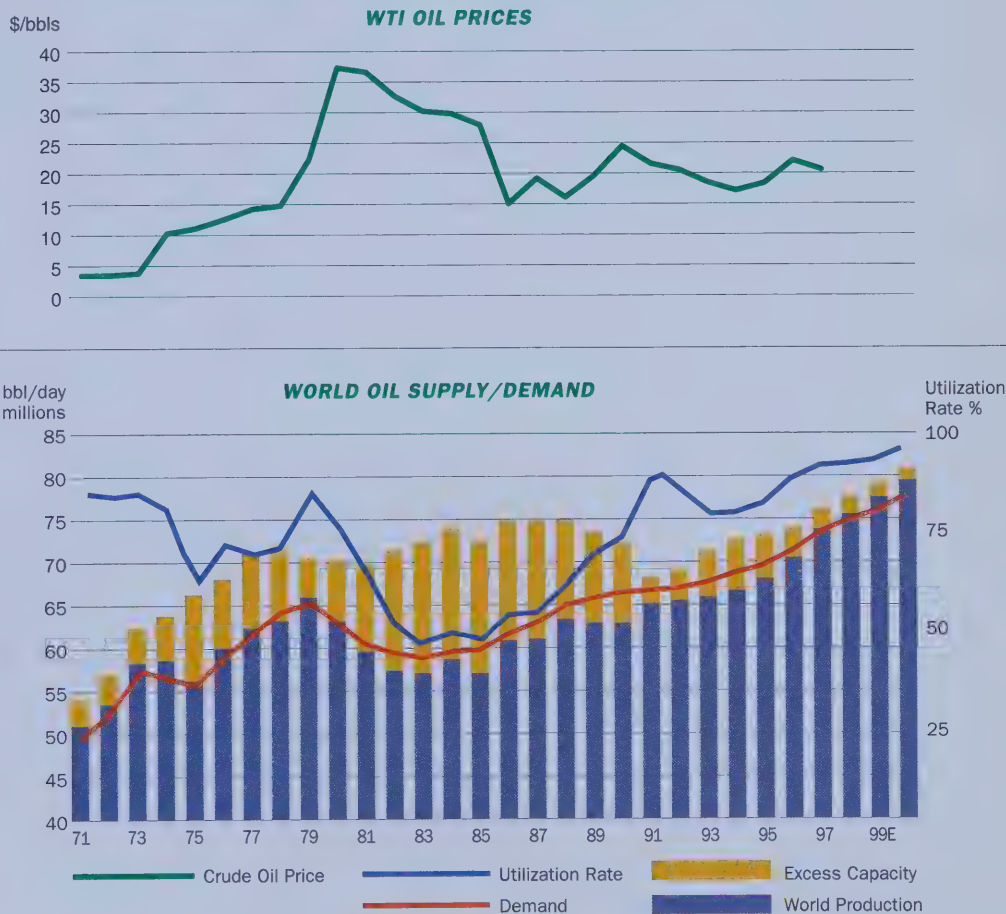
Part of the reason for this relative price stability is the U.S. statistical position. Despite record drilling activity in the lower 48 States over the past three years, productive capacity has not increased significantly, particularly from the U.S. Gulf Coast, which has provided most of the additional gas supply to the domestic market. Drilling on the Gulf Shelf has largely served to maintain deliverability, while results from drilling in the deeper offshore waters have not resulted in as prolific finds as had earlier been anticipated.

It is expected that additional supply requirements for natural gas in the United States will result in increased imports from Canada. This affords Canadian gas producers the opportunity for both price and volume growth – a potential increase in price as the differential between Canadian and U.S. prices narrows from the current US\$1.00 per mcf to a level closer to US\$0.50 per mcf. Volume growth should also occur due to new pipeline capacity expected to come on stream in November, 1998.

Several U.S. companies have been acquiring Canadian gas reserves as a result of various corporate mergers. These developments served to verify Pengrowth's strategy of acquiring significant gas reserves in 1996 in anticipation of improving natural gas prices and volumes within two to three years of our purchases.

operations review

WORLD CRUDE OIL SUPPLY/DEMAND AND PRICES



Source: Donaldson, Lufkin & Jenrette

CRUDE OIL

Crude oil prices have recently declined to the US\$13.00 – 14.00 range per barrel (WTI basis) on the spot market, while the one year future price has remained steady in the vicinity of US\$16.00 – 17.00 per barrel. This indicates near term price pressure on crude oil prices due to the current oversupply.

OPEC increased its production quotas by an aggregate of 10% in November, 1997 to approximately 27.5 million barrels per day. This increase, when combined with chronic overproduction by OPEC members, particularly Venezuela where production has recently been approximately 0.7 million barrels per day over its quota, and a slow-

down in demand growth, particularly in Asia, has resulted in a near term surplus of crude oil.

This situation may persist until the OPEC members decide to reassess their position.

In this context, it is interesting to note that at present there remains very little unused capacity in world oil markets, as the effective operating rate worldwide has increased to over 95% of capacity.

Continued growth in consumption, even at lower rates, would require an additional 1.5 – 2.0 million barrels per day of capacity each year, and an additional 2.0 – 2.5 million barrels per day of productive capacity is required to offset ongoing production declines worldwide. Significant amounts of capital investment amounting to several billions of dollars will be required to provide the additional capacity required to meet anticipated levels of demand in the new millennium. This will likely not occur with crude oil prices at the lowest levels in real terms since the early 1970's (before oil prices began to rise). A significant recovery in spot prices is anticipated as a result. Pengrowth has a substantial investment in light crude oil producing fields including the \$496 million Judy Creek/Swan Hills interests which were acquired in October of 1997.

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management’s discussion and analysis

The following discussion and analysis of financial results by management should be read in conjunction with the financial statements for the year ended December 31, 1997 and is based on information available at March 6, 1998. Information provided for fiscal 1998 is based on assumptions regarding future events and actual results may vary from these estimates.

SIGNIFICANT FINANCIAL TRANSACTIONS

During 1997 GasCorp completed nine property acquisitions which significantly impacted 1997 financial results. Material financial transactions included:

- Effective April 1, 1997 GasCorp acquired a net 77.90 percent working interest in the Deer Mountain Unit No. 2 for \$11.1 million. This acquisition increased Established reserves by 2,201 mboe.
- Effective July 1, 1997 GasCorp acquired a 98.11 percent working interest in the Judy Creek Beaverhill Lake Unit, a 94.58 percent working interest in the Judy Creek West Beaverhill Lake Unit and a 9.58 percent working interest in the Swan Hills Unit No. 1 for \$496.1 million (before acquisition fee and closing adjustments). These acquisitions increased Established reserves by 97,364 mboe. In November, 1997 GasCorp increased its working interest in the Judy Creek Beaverhill Lake Unit to 100 percent.
- On October 15, 1997 Gas Corp accepted a revised credit facility commitment from the Royal Bank. Under this new commitment, GasCorp received an extendible revolving term credit facility of \$310 million and a \$40 million demand operating credit facility. On January 29, 1998, the \$310 million facility was syndicated among six additional lenders.
- On October 15, 1997 Pengrowth Energy Trust completed an offering of 23,928,572 trust units on an instalment receipt basis with \$12.50 per unit paid on closing and the balance of \$8.75 per unit due on or before October 15, 1998. Gross proceeds raised amounted to \$508 million comprised of cash of \$299 million and an Instalment Receivable of \$209 million.

EQUITY ISSUES

	\$ million
1988	\$ 12
1991	4
1993	31
1994	44
1995	66
1996	82
1997	508
Total	\$ 747

RESULTS OF OPERATIONS

Royalty income for 1997 was \$75.5 million compared with \$48.7 million in 1996. The individual components of Royalty income are discussed below. Certain revenue and expense items are expressed on a barrel of oil equivalent basis (boe), converting gas sales volumes to barrels of oil at 10 thousand cubic feet per barrel. This is a commonly used conversion ratio in the Canadian oil and gas industry, but not necessarily reflective of relative energy content or value.

PRODUCTION REVENUE

Revenue from oil, natural gas and natural gas liquids (NGL's) increased 57 percent to \$122.4 million in 1997 from \$77.8 million in 1996. This substantial growth in revenue was due to a 57 percent increase in sales volume, combined with a one percent increase in product prices.

Crude oil sales volumes increased 63 percent to 7,650 bpd from 4,681 bpd in 1996. This increase in volume is mainly attributable to the Judy Creek/Swan Hills property acquisition which closed October 15, 1997. The average price received decreased 6 percent to \$26.26 per barrel in 1997 compared to \$27.79 per barrel in 1996. Crude oil sales increased 55 percent to \$73.0 million in 1997 versus \$47.2 million in 1996. As a result of the substantial oil acquisition completed in October, 1997, crude oil sales volumes are expected to average 16,800 barrels per day in 1998.

Production of natural gas increased 39 percent to 51.4 million cubic feet per day in 1997 from 37 million cubic feet per day in 1996. Increases in production resulted from 1996 acquisitions and acquisitions of the Minehead and Ghost Pine properties in 1997. Natural gas sales increased 56 percent to \$36.2 million as compared to \$23.2 million in 1996.

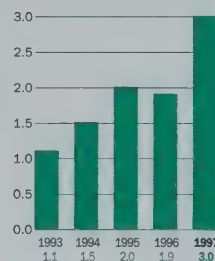
The average price received for natural gas increased 12 percent to \$1.94 per mcf in 1997 from \$1.73 per mcf in 1996. Natural gas sales volumes are expected to average 52 million cubic feet per day in 1998.

Natural gas liquids sales volumes increased 92 percent to 1,855 barrels per day in 1997 compared to 964 barrels per day in 1996. The average price received decreased 6 percent to \$19.67 per barrel in 1997 compared to \$21.03 per barrel in 1996. Sales of NGL's increased 76 percent to \$12.7 million from \$7.2 million in 1996. NGL sales volumes are expected to average 2,500 barrels per day in 1998.

Other revenue is comprised of net overriding royalties and processing income of \$0.5 million for 1997 as compared to \$0.2 million in 1996.

Crude oil sales accounted for 60 percent of total production revenue in 1997, compared to 60 percent in the previous year, while natural gas sales contributed 30 percent of revenue compared to 29 percent in 1996. NGL sales represented 10 percent of total revenue, up slightly from the previous year's nine percent.

Established Reserves
boes per trust unit



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ROYALTIES

Royalties which include Crown, freehold and mineral taxes increased 24 percent to \$19.6 million from \$15.8 million in 1996, consistent with the increase in revenues. Royalties were 16 percent of oil and gas revenue in 1997 compared to 20 percent in 1996. Royalties are sensitive to producing rates and, in Alberta, are based on reference prices established by the government. Royalty rates are not expected to change significantly in 1998.

ALBERTA ROYALTY CREDIT

The Alberta Royalty Credit ("ARC") accrued for 1997 decreased to \$1.2 million from \$1.4 million in 1996. In 1996 Pengrowth reached the maximum allowable limit of \$2.0 million in eligible Alberta Crown royalties under the ARC program and was subject again to this limit in 1997. The ARC refund rate for 1997 was 61.35 percent of the maximum \$2.0 million of Alberta crown royalties compared to a rate of 72.81 percent in 1996.

The ARC for 1996 was paid to unitholders on May 15, 1997 in the amount of \$1.4 million or \$0.063 per trust unit. The 1997 ARC amount of approximately \$0.025 per trust unit will be distributed on receipt, which is anticipated during the second quarter of 1998.

OPERATING EXPENSES

Oil and gas operating expenses increased to \$34.4 million in 1997 from \$19.3 million last year, a 78 percent increase compared to a 56 percent increase in production volumes. On a barrel of oil equivalent basis, operating costs (net of reimbursement of expenses and royalty retained by GasCorp) increased to \$6.09 in 1997 compared to \$5.30 in 1996. This increase resulted from the higher operating costs associated with crude oil production.

INTEREST

Interest expense on long term debt was \$3.4 million in 1997 compared to \$1.4 million in 1996 as a result of the use of the credit facility to fund a portion of 1997 capital projects, including the \$496 million acquisition of the Judy Creek/Swan Hills properties in October, 1997. On October 30, 1997, GasCorp fixed the interest rate on \$220 million of its bank debt through an interest rate swap agreement. At the end of the year, approximately 22 percent of the Corporation's bank debt was subject to floating interest rates. Interest expense is expected to increase in 1998 as a result of the higher debt levels. In the fourth quarter of 1998, debt will be reduced when the second instalment payment is received from the October 15, 1997 public offering in the amount of \$209 million.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses increased to \$2.7 million from \$2.1 million last year, a 33 percent increase, reflecting the increased scope of operations and a related increase in staff and higher associated salary costs. However, on a boe basis, general and administrative expenses declined by 15 percent to a record low of \$0.51 per boe as compared to \$0.60 per boe in 1996.

General and administrative expenses are expected to increase in 1998 but remain low on a per boe basis. Salaries, consulting fees and other expenses directly related to property acquisitions are capitalized as direct expenditures.

MANAGEMENT FEES

Management fees were \$2.4 million in 1997 compared to \$1.6 million in 1996. Management fees are based on a percentage of net operating revenue including the Alberta Royalty Credit. At the annual meeting of unitholders held on April 29, 1997, a resolution was passed amending the Management Agreement pertaining to fee structure and the term of the Agreement. Effective January 1, 1997, the amended management fee is determined by reference to a sliding scale as follows:

Level of Income Amount	Fee
First \$50 million	3.5%
Next \$50 million	3.0%
All amounts over \$100 million	2.5%

The acquisition fee regarding the purchase of oil and gas properties was reduced from 1.75 percent to 1.50 percent effective January 1, 1997. The term of the Management Agreement is now three years provided that in no event may the Agreement be terminated on less than two years written notice. Any extension of the Agreement must be submitted to the unitholders for consideration.

On a boe of production basis, management fees decreased to \$0.44 per boe in 1997 compared to \$0.46 in 1996.

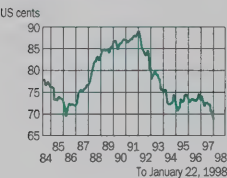
TAXES

Taxes consist of the federal large corporations tax, which is incurred on taxable capital employed in Canada, and the Saskatchewan Capital Tax and Resource Surcharge, applied both to taxable capital and gross revenues earned in that province. GasCorp incurred \$1.4 million of taxes in 1997 compared to only \$17,351 in 1996. This large increase was due to the large debt level existing at December 31, 1997.

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Canadian Dollar



Pengrowth Energy Trust is a taxable trust and files a Trust Income Tax Return annually. Taxable income is comprised of royalty income less deductions for Canadian Oil and Gas Property Expense ("COGPE"), which is claimed at a rate of 10 percent on a declining balance basis. Issue costs relating to trust unit offerings are claimed at a rate of 20 percent on a straight line basis. Any net taxable income is allocated to the Trust unitholders.

Based on income tax deductions available to the Trust, there was no taxable income for 1997 to be allocated to unitholders. In 1996, Pengrowth had taxable income of \$3.9 million or \$0.2044 per trust unit which was allocated to the Trust unitholders. All tax deferred distributions are considered a return of capital and will reduce a unitholder's cost base for purposes of calculating a capital gain or loss amount upon ultimate disposition of the trust units.

At the end of 1997, Pengrowth had unused tax deductions of \$9.56 per trust unit compared to \$8.61 per unit at December 31, 1996. Based on existing deductions a portion of the 1998 cash distributions may become taxable in the hands of unitholders.

DEPLETION

Depletion of the Royalty Interest is provided on the unit of production method based on estimated proven reserves, with the conversion of natural gas to oil using their relative energy content (6 mcf gas = 1 bbl). The provision for depletion increased 68 percent to \$35.7 million in 1997 compared to \$21.2 million in 1996. The increase was due to a much larger depletable cost base resulting from the purchase of \$277.7 million in royalty interests during 1997.

On a barrel of oil equivalent basis (10 mcf gas= 1 bbl), the depletion provision increased eight percent to \$6.64 per boe compared to \$6.15 per boe in 1996. In 1998, depletion is expected to increase due to higher production volumes.

FUTURE SITE RESTORATION

The estimated total future costs for site restoration and abandonment of well sites and facilities are updated annually based on the costs that would be required at the present time to restore those locations to their natural state. Amortization of future site restoration and abandonment costs is provided for on the unit of production basis. The provision for future site restoration increased to \$3.2 million for 1997 compared to \$1.4 million in 1996 resulting from the acquisition of oil and gas properties and increased production. For 1998 the future site restoration provision is expected to increase as a result of increased production.

CONTRIBUTIONS TO REMEDIATION FUND

As part of the Judy Creek/Swan Hills property acquisition completed in October 1997, GasCorp agreed to establish a remediation trust to fund and secure the remediation obligations of the

Judy Creek properties. GasCorp has agreed to make the following contributions over the economic life of the Judy Creek properties:

Date	Amount
October 15, 1998	\$ 1,500,000
October 15, 1999	\$ 1,250,000
October 15, 2000	\$ 1,750,000
October 15, 2001 and each subsequent year	\$ 250,000
Monthly payment commencing with the month of July, 1997	\$0.10 per Barrel of Oil Equivalent produced from the Judy Creek properties

The total required contribution for 1998 is estimated to be \$1.9 million.

DISTRIBUTABLE INCOME

Distributable income is calculated by adding back the non-cash items (depletion and future site restoration) to net income and adjusting for the actual ARC received. The ARC earned but not received for 1997 of \$1.2 million will be distributed when received, which is expected on or before May 15, 1998.

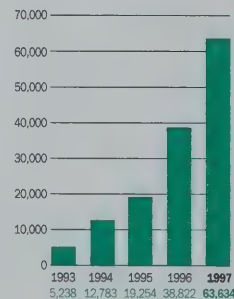
Distributable income for 1997 increased 64 percent to \$63.6 million from \$38.8 million in 1996 reflecting the significant acquisition of properties acquired in 1997. On a per unit basis, distributable income increased 5 percent to \$2.017 in 1997 from \$1.92 in 1996.

Since the first distribution in 1989, total cash distributions of \$10.16 per unit have been paid with only \$0.2044 per unit being taxable in the hands of unitholders.

CAPITAL EXPENDITURES

Capital expenditures may be financed from bank borrowings, issuance of additional trust units or by farming out projects to third parties. A resolution was passed at the Annual General Meeting amending the Royalty Indenture by removing certain borrowing limits. Reasonable limits on borrowing are now prescribed by the terms of the bank credit facility or through restrictions on borrowing set out by the Board of Directors. During 1997, total capital expenditures were \$545.5 million.

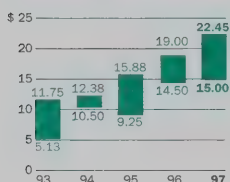
Distributable Income
(\$'000)



millions of dollars	1997	1996
Property acquisitions	\$ 528.0	\$ 74.9
Development drilling, completion and equipping	14.5	7.5
Plant and production facilities	3.0	2.7
	\$ 545.5	\$ 85.1

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Trust Unit
Trading Performance

GasCorp completed nine acquisitions of producing properties during the year. The largest of these transactions was the purchase of the Judy Creek/Swan Hills properties for \$496.1 million on October 15, 1997. The 1997 capital expenditure program was financed from the issuance of trust units and increases in bank debt.

NETBACKS PER BOE

	1997	1996
Revenues	\$ 23.18	\$ 22.76
Royalties	(3.65)	(4.60)
Alberta Royalty Credit received	0.27	0.31
Operating Costs*	(6.09)	(5.30)
Operating Netback	13.71	13.17
General & Administrative	(0.51)	(0.60)
Management Fees	(0.44)	(0.46)
Interest and Taxes	(0.91)	(0.81)
Cash Netback	\$ 11.85	\$ 11.30

* Net of reimbursement of expenses and royalty retained by GasCorp.

CAPITAL RESOURCES AND LIQUIDITY

During 1997, Pengrowth raised net cash proceeds of \$275.6 million from its October 15, 1997 public offering and from proceeds under the Trust Unit Savings Plan, Trust Unit Option Plan and Distribution Reinvestment Plan. These funds together with bank borrowings were used to fund the capital expenditures of \$548 million during 1997.

In conjunction with the Judy Creek/Swan Hills acquisition, GasCorp renegotiated the terms of its existing bank facilities. GasCorp also entered into an interest rate swap agreement that effectively fixed the interest rate on \$220 million of its revolving credit facility. This swap matures in October 1998 to coincide with the due date of the second instalment payment of \$209 million to be received on the basis of \$8.75 per trust unit.

TRUST UNIT INFORMATION

Pengrowth's trust units were listed on the Toronto Stock Exchange on January 16, 1989 and posted for trading on the Montreal Exchange on July 11, 1994. On October 15, 1997, 23,928,572 trust units were issued pursuant to the public offering of trust units at \$21.25 per unit with an initial payment of \$12.50 per trust unit on closing and the final instalment of \$8.75 payable on or before October 15, 1998. Net proceeds from this issue amounted to \$471.8 million with \$201.5 million receivable one year later. A further 344,433 trust units were issued for proceeds of \$5.3 million under the Trust Unit Option Plan, Trust Unit Savings Plan and the Distribution Reinvestment Plan ("DRIP").

At December 31, 1997, there were 47,287,950 trust units outstanding compared to 23,014,945 trust units at December 31, 1996. The market capitalization of Pengrowth at December 31, 1997 was \$851 million compared to \$391 million at December 31, 1996.

TRUST UNIT TRADING		High	Low	Close	Volume	Value Millions
1997	1st quarter	\$ 17.75	\$ 15.00	\$ 16.00	3,058,013	\$ 49.4
	2nd quarter	18.50	15.20	18.30	2,092,033	35.6
	3rd quarter	22.45	18.00	22.15	2,853,049	57.7
	4th quarter	22.05	17.00	18.00	2,541,823	50.0
		\$ 22.45	\$ 15.00	\$ 18.00	10,544,918	\$ 192.7
1996	1st quarter	\$ 16.87	\$ 14.87	\$ 14.87	2,197,777	\$ 35.2
	2nd quarter	16.35	14.50	15.85	2,137,674	33.4
	3rd quarter	17.90	15.75	17.85	4,101,367	68.0
	4th quarter	19.00	16.50	17.00	3,145,273	56.1
		\$ 19.00	\$ 14.50	\$ 17.00	11,582,091	\$ 192.7

BUSINESS RISKS

Crude oil and natural gas development, production, acquisition and marketing operations involve numerous business risks which have the potential to significantly affect operating and financing results. These include the uncertainty of finding new acquisitions, fluctuations in commodity prices, exchange rates and interest rates, government regulations and taxes, transportation and marketing constraints and environmental and safety concerns.

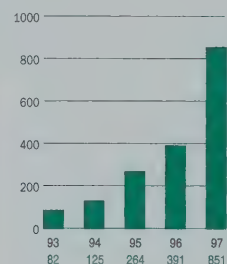
Pengrowth Management Limited, as manager of Pengrowth Gas Corporation, minimizes these risks by:

- employing highly qualified and motivated professional staff
- adhering to strict investment criteria for property acquisitions
- geographically diversifying its oil and natural gas properties
- controlling costs to maximize profitability
- ensuring strong third party operators for non-operated properties
- carrying insurance to cover physical losses and business interruption

Commodity prices are volatile and are subject to a number of external factors. Prices are affected by supply and demand, both locally and worldwide, the U.S. dollar exchange rate, pipeline transportation, political stability, prices for competing fuels, economic conditions in emerging markets and seasonal changes in demand resulting from weather variations.

The value of the Canadian dollar is influenced by political and economic factors which affects GasCorp's crude oil sales and in 1997, approximately 50 percent of its natural gas sales which are priced in US dollars.

Market Capitalization
(\$millions)



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To reduce the impact of these factors, a balanced portfolio of sales contracts is maintained. GasCorp's current policy is that it will not hedge crude oil or natural gas prices. GasCorp does enter into physical contracts for the sale of natural gas at fixed prices and terms. In 1997 GasCorp fixed the rate of interest on \$220 million of its debt through a swap agreement at 4.49 percent to mature in October 1998.

FINANCIAL SENSITIVITIES

Cash flow from operations and distributable income is highly sensitive to changes in external factors which are beyond the control of Pengrowth. An estimate of the sensitivities to changes in commodity prices, production levels and exchange rates is summarized below. A change in one factor may compound or offset a change in another factor and this inter-relationship is not incorporated in the sensitivity summary.

1998 DISTRIBUTABLE INCOME VARIABLES AND SENSITIVITIES*

Variable	1998 Engineering Assumption	Change to Variables	Effect on per unit Distributions
Price (Cdn.\$)			
Oil	\$ 25.03/bbl	\$ 1.00/bbl	\$ 0.102
Natural gas liquids	15.46/bbl	1.00/bbl	0.013
Natural gas	1.78/mcf	0.10/mcf	0.031
Daily Production**			
Oil	13,200/bbl	10%	0.265
Natural gas liquids	1,730/bbl	10%	0.021
Natural gas	40,350/mcf	10%	0.055
Exchange Rate (C\$/US\$)	\$ 0.71	\$ 0.01	0.048

* Based on proved producing plus probable producing, approximately 24,500 boepd in 1998.

**Daily production, net of royalties

NET ASSET VALUE

JANUARY 1, 1998	Present Worth Discounted @		
	10%	12%	15%
Established Reserves*	\$ 940,521,900	\$ 840,043,400	\$ 721,316,800
Current Assets	220,041,530	220,041,530	220,041,530
Less: Due to GasCorp	(289,515,516)	(289,515,516)	(289,515,516)
Net Asset Value	\$ 871,047,914	\$ 770,569,414	\$ 651,842,284
Per Unit**	\$ 18.42	\$ 16.30	\$ 13.98

*Proven plus half probable reserves.

*Based on Gilbert Laustsen Jung Associates Ltd.'s report dated January 14, 1998, effective January 1, 1998 and including well abandonment costs. The economic forecast is based on a September 1, 1997 reserve evaluation report and adjusted for production and acquisitions to January 1, 1998.

**Based on 47,287,950 trust units outstanding.

YEAR 2000

Pengrowth Management Limited, as Manager of Pengrowth Energy Trust, has commenced the process of examining its computer systems to determine the impact on the organization of the year 2000 issue. The challenge revolves around the fact that many computer systems and software applications have been designed to recognize dates using only the last two digits of a year. It is anticipated that in the year 2000 many systems and programs may be interrupted or halted by this problem.

A team consisting of senior management, technical staff and outside experts are planning, implementing and evaluating the year 2000 compliance project. Key areas identified for review include financial and technical systems, and field production systems and processes.

In connection with assuming operatorship of the Judy Creek properties on April 16, 1998, a significant computer systems upgrade project is underway. New production accounting, inventory and maintenance systems and computer hardware has been purchased with warranties regarding the year 2000. These systems together with other systems will require testing over the next year.

BUSINESS PROSPECTS

The acquisition of the Judy Creek/Swan Hills properties tripled the Established reserves of GasCorp and provided the opportunity to operate the Judy Creek property. There is significant upside potential associated with the application of new recovery techniques at Swan Hills and Judy Creek. New advances in oil recovery technology, including horizontal miscible injection and solvent miscible flooding should increase recoverable reserves and offset normal production declines which will accrue to the benefit of the Trust unitholders. Essentially all Imperial Oil Resources employees working at Judy Creek have agreed to join the Pengrowth team effective April 16, 1998. There are approximately 110 employees at Judy Creek with extensive training and experience in the design and implementation of enhanced oil recovery technologies and natural gas operations.

Current and future rationalization within the oil and gas industry is expected to provide an opportunity to acquire long life reserves, and management will continue to be selective regarding asset purchases.

financial report

management's report

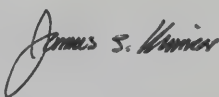
The financial statements are the responsibility of the management of Pengrowth Energy Trust. They have been prepared in accordance with generally accepted accounting principles, using management's best estimates and judgements, where appropriate.

Management is responsible for the reliability and integrity of the financial statements, the notes to the financial statements, and other financial information contained in this report. In the preparation of these statements, estimates are sometimes necessary because a precise determination of certain assets and liabilities is dependent on future events. Management believes such estimates have been based on careful judgements and have been properly reflected in the accompanying financial statements.

Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded and that accounting systems provide timely, accurate and reliable financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board is assisted in exercising its responsibilities through the Audit Committee of the Board, which is composed of three non-management directors. The Committee meets periodically with management and the auditors to satisfy itself that management's responsibilities are properly discharged, to review the financial statements and to recommend approval of the financial statements to the Board.

KPMG, the independent auditors appointed by the unitholders, have audited the Trust's financial statements in accordance with generally accepted auditing standards and provided an independent professional opinion. The auditors have full and unrestricted access to the Audit Committee to discuss their audit and their related findings as to the integrity of the financial reporting process.



President and Chief Executive Officer



Vice President, Treasurer
and Chief Financial Officer

March 13, 1998

auditors' report

TO THE UNITHOLDERS OF PENGROWTH ENERGY TRUST

We have audited the balance sheets of Pengrowth Energy Trust as at December 31, 1997 and 1996 and the statements of income and distributable income, royalty income calculation, unitholders' equity and changes in financial position for the years then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 1997 and 1996 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

KPMG

Chartered Accountants

Calgary, Canada

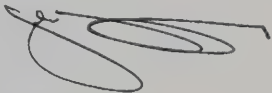
March 13, 1998

financial statements

balance sheets

As at December 31	1997	1996
ASSETS		
CURRENT ASSETS		
Cash	\$ 228	\$ 7,558
Alberta Royalty Credit receivable	1,210,510	1,452,653
Due from Pengrowth Gas Corporation	17,322,715	10,649,077
Instalment receivable (Note 4)	201,508,077	—
	220,041,530	12,109,288
ROYALTY INTEREST at cost, less accumulated depletion of \$81,830,974 (1996 - \$46,167,974)	438,350,927	196,361,916
OTHER ASSETS (Note 3)	289,515,516	19,164,451
	\$ 947,907,973	\$ 227,635,655
LIABILITIES AND UNITHOLDERS' EQUITY		
CURRENT LIABILITIES		
Distributions payable to unitholders	\$ 19,426,184	\$ 10,656,566
FUTURE SITE RESTORATION COSTS	6,180,000	2,980,000
DUE TO PENGROWTH GAS CORPORATION (Note 3)	289,515,516	19,164,451
UNITHOLDERS' EQUITY	632,786,273	194,834,638
	\$ 947,907,973	\$ 227,635,655

Approved on behalf of Pengrowth Energy Trust by Pengrowth Gas Corporation, as Administrator:



Director



Director

statements of income and distributable income

Years ended December 31	1997	1996
REVENUES		
Royalty income	\$ 75,468,865	\$ 48,731,165
Crown royalties	(15,402,336)	(11,279,152)
Alberta Royalty Credit	1,214,057	1,452,653
Interest on instalment receivable	2,103,310	—
Interest	8,280	313,191
NET REVENUE	63,392,176	39,217,857
EXPENSES		
Depletion	35,663,000	21,172,000
Future site restoration	3,200,000	1,447,000
	38,863,000	22,619,000
NET INCOME	24,529,176	16,598,857
Add: Depletion and future site restoration	38,863,000	22,619,000
Alberta Royalty Credit received during year	1,456,200	1,056,737
Deduct: Alberta Royalty Credit accrued for year	(1,214,057)	(1,452,653)
DISTRIBUTABLE INCOME	\$ 63,634,319	\$ 38,821,941
PER UNIT		
Net revenue	\$ 2.1947	\$ 1.9961
Net income	\$ 0.8676	\$ 0.8424
Distributable income (Note 8)	\$ 2.0170	\$ 1.9200

The per unit amounts for net revenue and net income are based on weighted average units outstanding calculated on a quarterly basis. The per unit amounts for distributable income reflect actual distributions paid and payable.

financial statements

statements of royalty income calculation

Years ended December 31	1997	1996
REVENUES		
Oil and gas sales	\$ 122,368,240	\$ 77,828,438
Interest income	24,244	144,965
Less: Freehold and other royalties	2,220,550	2,207,121
Freehold mineral taxes	1,956,038	2,326,149
	118,215,896	73,440,133
EXPENSES		
Operating	34,363,891	19,336,097
Interest on long term debt	3,449,081	1,405,222
General and administrative	2,751,137	2,062,702
Management fee	2,389,036	1,582,695
Capital taxes	1,367,000	17,351
Interest	45,292	1,353,631
	44,365,437	25,757,698
Income before the undernoted	73,850,459	47,682,435
Royalty retained by Pengrowth Gas Corporation	(738,504)	(476,824)
Reimbursement of expenses (Note 6)	2,410,686	1,573,781
ROYALTY INCOME ATTRIBUTABLE TO ROYALTY UNITS	\$ 75,522,641	\$ 48,779,392
AVERAGE PERCENTAGE OF ROYALTY UNITS OWNED BY PENGROWTH ENERGY TRUST	99.929%	99.901%
ROYALTY INCOME ATTRIBUTABLE TO PENGROWTH ENERGY TRUST	\$ 75,468,865	\$ 48,731,165

statements of unitholders' equity

Years ended December 31	1997	1996
Unitholders' equity at beginning of year	\$ 194,834,638	\$ 131,144,008
Units issued, net of issue costs (Note 4)	477,056,778	85,913,714
Net income for year	24,529,176	16,598,857
Distributable income	(63,634,319)	(38,821,941)
UNITHOLDERS' EQUITY AT END OF YEAR	\$ 632,786,273	\$ 194,834,638

financial statements

statements of changes in financial position

Years ended December 31	1997	1996
CASH PROVIDED BY (USED FOR):		
OPERATING		
Net income	\$ 24,529,176	\$ 16,598,857
Items not involving cash		
Depletion and future site restoration	38,863,000	22,619,000
Funds generated from operations	63,392,176	39,217,857
Distributions	(54,864,701)	(31,861,718)
Changes in non-cash operating working capital	(6,431,495)	(7,348,581)
	2,095,980	7,558
FINANCING		
Proceeds from issue of trust units	477,056,778	82,708,292
Instalment receivable	(201,508,077)	—
Trust units issued on conversion of royalty units	—	3,205,422
	275,548,701	85,913,714
INVESTING		
Purchase of royalty interest	(277,652,011)	(85,913,714)
INCREASE (DECREASE) IN CASH	(7,330)	7,558
CASH AT BEGINNING OF YEAR	7,558	—
CASH AT END OF YEAR	\$ 228	\$ 7,558

notes to financial statements

1. STRUCTURE OF THE TRUST

Pengrowth Energy Trust ("Trust") is a closed-end investment trust created under the laws of the Province of Alberta pursuant to a Trust Indenture dated December 2, 1988 (as amended from time to time) between Pengrowth Gas Corporation ("Corporation") and Montreal Trust Company of Canada. Operations commenced on December 30, 1988. The beneficiaries of the Trust are the holders of the trust units (the "unitholders"). Operations of the Trust consist of acquiring and holding Royalty units issued by the Corporation.

The Royalty units are entitled to 99% of the production revenue from properties purchased by the Corporation less operating expenses, general and administrative costs, management fees, debt service charges (including principal and interest) and taxes payable by the Corporation. Additionally, the Royalty unitholders must reimburse the Corporation for 99% of all crown royalties and charges incurred in respect of the production of petroleum substances from the royalty interest.

The Corporation and the Trust are managed by Pengrowth Management Limited (the "Manager"). The Manager is responsible for the management of the business affairs of the Corporation and the administration of the Trust. The Manager receives a sliding scale management fee from the Corporation. The shares of the Corporation are wholly owned by the Manager and the Manager is controlled by a director of the Corporation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Royalty Interest

The Trust follows the full cost method of accounting for royalty interests whereby all costs of acquiring such interests are capitalized.

The royalty interest is depleted on the unit of production method based on proved reserves before royalties as estimated by independent engineers. Natural gas sales and reserves are converted to equivalent units of crude oil using their relative energy content. The Trust applies a ceiling test to the carrying value of the royalty interest. The cost of the royalty interest less accumulated depletion is limited to an amount equal to the estimated future net revenue from production of proved reserves (based on unescalated prices and costs at the balance sheet date) less estimated future general and administrative, financing, site restoration costs, and management fees.

Future Site Restoration Costs

Provisions for future site restoration costs are made over the life of the royalty interest using the unit of production method. Costs are based on engineering estimates considering current regulations, costs and industry standards.

Income Taxes

The Trust is a taxable trust under the Income Tax Act (Canada). The Trust allocates all of its income to its unitholders. Therefore, no provision has been made for income taxes in these financial statements as income taxes are the responsibility of the individual unitholders. The Trust in 1997 had taxable income of nil (1996 – \$3,907,484 or \$0.2044 per trust unit) which was allocated to the unitholders.

Measurement Uncertainty

The determination of financial statement amounts is dependent upon future events and therefore the preparation of the financial statements requires management to make estimates and assumptions. Actual amounts could differ from those estimated.

3. OTHER ASSETS/DUE TO PENGROWTH GAS CORPORATION

Other assets represent the Trust's interest in petroleum and natural gas property acquisition and development costs which the Corporation has financed through long term debt and trade credit obligations. The Corporation retains a preferential right to the Royalty unitholders to ensure repayment of these obligations. The Trust's proportionate share of these amounts to be withheld from future royalty revenue is \$289,515,516 (1996 – \$19,164,451).

In the event that the properties owned by the Corporation do not generate sufficient income to discharge these obligations, the Trust unitholders will have no liability.

financial statements

notes to financial statements

4. TRUST UNITS

Authorized

100,000,000 trust units

	Number of Units	Amount
Issued		
Balance, December 31, 1995	17,185,073	\$ 156,616,177
Issued for cash	5,635,604	87,653,600
Less: commissions and issue expenses	–	(4,945,308)
Issued on conversion of royalty units	194,268	3,205,422
Balance, December 31, 1996	23,014,945	242,529,891
Issued for cash	344,433	5,262,124
Issued for cash and instalment receivable	23,928,572	508,482,155
Less: imputed interest on instalment	–	(9,970,238)
Less: commissions and issue expenses	–	(26,717,263)
Balance, December 31, 1997	47,287,950	\$719,586,669

On October 15, 1997 the Trust completed an offering of 23,928,572 trust units on an instalment receipt basis with \$12.50 paid on closing and the balance of \$8.75 per trust unit due one year after closing. The units have been pledged by the unitholders to the Trust to secure the obligation for the final instalment of the purchase price. Prior to full payment, beneficial ownership of the offered units will be represented by Instalment Receipts.

Pursuant to the terms of the Royalty Indenture and the Trust Indenture there is attached to each Royalty Unit granted by the Corporation the right to exchange such Royalty Unit for a trust unit. Montreal Trust, as Trustee has reserved 18,940 trust units for such future conversion.

Unit Reinvestment Plan

The distribution reinvestment plan entitles unitholders to reinvest cash distributions in additional units of the Trust. The trust units under the plan may be acquired in the open market at prevailing market prices or issued from treasury. The price of the units issued from treasury is the weighted average price of all trust units on the Toronto Stock Exchange for the 20 trading days preceding a distribution payment date. During 1997 a total of 122,303 trust units (1996 – 80,401) were issued from treasury pursuant to the plan for cash consideration of \$2,126,740 (1996 - \$1,325,594).

Trust Unit Options

As at December 31, 1997, options to purchase 3,743,635 trust units were outstanding (1996 – 1,433,949). These options were held by directors, officers and consultants of the Corporation, and are exercisable at prices of \$9.79 to \$20.50 per unit. The options expire at various dates to December 2, 2002.

5. REMEDIATION TRUST FUND

Pursuant to a Purchase and Sale Agreement dated August 15, 1997 between Pengrowth Gas Corporation and Imperial Oil Resources, ("Imperial") a trust was established to fund and secure the future site restoration and remediation obligations of the Judy Creek properties acquired by the Corporation. The Corporation has agreed to make the following contributions to the Judy Creek Remediation Trust:

Date	Amount
October 15, 1998	\$ 1,500,000
October 15, 1999	\$ 1,250,000
October 15, 2000	\$ 1,750,000
October 15, 2001 and each subsequent year	\$ 250,000
Monthly payment commencing with the month of July, 1997	\$0.10 per Barrel of Oil Equivalent produced from the Judy Creek properties

Every five years the Corporation must deliver a report to Imperial evaluating the assets in the trust fund, the remediation obligations then outstanding and recommendations as to whether contributions should be raised, decreased or maintained at their current level. Imperial's consent must be obtained in regard to changes in the contribution level. At any time the Corporation may make a written request to reduce contributions to which Imperial's consent must be obtained. If Imperial does not consent, the matter may be arbitrated.

Pursuant to a Trust Settlement Agreement dated October 15, 1997, Montreal Trust Company of Canada agreed to act as Trustee of the Judy Creek Remediation Trust.

6. REIMBURSEMENT OF EXPENSES

The Corporation is entitled to retain a 1% royalty, processing income and any other income to reduce general and administrative expenses, debt service charges and management fees.

7. RELATED PARTY TRANSACTIONS

Pengrowth Management Limited provides certain services pursuant to a management agreement for which the Trust, through the Corporation, paid \$7,934,882 (1996 – \$1,329,754) for acquisition fees and \$2,389,036 (1996 – \$1,582,695) for a management fee. The law firm controlled by the corporate secretary received \$434,755 (1996 – \$108,463) for legal services provided to the Corporation.

8. DISTRIBUTIONS

Per Unit	1997	1996
First Quarter	\$.5500	\$.3400
Second Quarter	.5730	.6210
Third Quarter	.3900	.3600
Fourth Quarter	.5040	.5990
	\$ 2.0170	\$ 1.9200

9. FINANCIAL INSTRUMENTS

The carrying value of the Trust's financial instruments approximate their fair value due to their short maturity.

corporate governance

EnergyTrust is a closed and unincorporated investment trust established for the purpose of holding Royalty Units of Pengrowth Gas Corporation and issuing trust units to the public. The issuance of Royalty Units is governed by a Royalty Indenture and the issuance of trust units is governed by a Trust Indenture. The trustee under the Royalty and Trust Indentures is Montreal Trust Company of Canada.

MANDATE OF THE BOARD OF DIRECTORS

Under the Trust Indenture the trustee is granted general powers in respect of the administration and management of EnergyTrust and is permitted to delegate those powers. Pengrowth Management Limited was designated as the manager under the Trust Indenture and is empowered to undertake matters pertaining to the properties of Pengrowth Gas Corporation. The wide duties of the manager include a requirement of keeping the Corporation fully informed with respect to the acquisition, exploration, development, operation and disposition of and other dealings with the properties of the Corporation, and review and negotiation of opportunities to acquire properties and the operation, administration and retention of consultants in respect thereto. Under the Royalty Indenture, the Corporation reserves unto itself all operating decisions with respect to the properties of Pengrowth Gas Corporation.

The trustee has appointed Pengrowth Gas Corporation as the administrator of EnergyTrust, to assume those functions of the trustee which are largely discretionary subject to the powers and duties of the manager.

The unanimous shareholder agreement among Pengrowth Gas Corporation, the manager and the trustee provides that the Board of Directors of the Corporation shall consist of two nominees of the manager and at least three independent directors.

Through the foregoing set of agreements, holders of trust units of EnergyTrust are given authority to elect the independent members of the Board of Directors of the Corporation. Pengrowth Gas Corporation acts as administrator of EnergyTrust and the Board of Directors of the Corporation, in consultation with the manager is responsible for the stewardship of the Corporation and of EnergyTrust and for generally directing the business affairs of both the Corporation and EnergyTrust.

The authority of the Board of Directors of the Corporation is not plenary in that it is limited in respect of EnergyTrust by any discretion reserved by the trustee and by any powers assumed by the manager. As a practical matter however, the manager and the trustee defer to the Board of Directors in respect of decisions on matters which have a material impact upon the Corporation or EnergyTrust.

BOARD INDEPENDENCE

Mr. James S. Kinnear is the Chief Executive Officer of the manager and the Chief Executive Officer of Pengrowth Gas Corporation. Mr. Kinnear may be considered the lead director in that he sets the agenda for meetings of the board, chairs the meetings and recommends matters for consideration by the board. Notwithstanding Mr. Kinnear's leadership on these matters, the other members of the board are free to function, and do function, independently of the manager.

BOARD APPROVALS AND STRUCTURE

The Board of Directors responds to recommendations brought forward by the manager's representative to the board or by other board members. The Board of Directors assumes responsibility for the strategic direction of the corporation and EnergyTrust through annual consideration of a strategic plan. Criteria are approved by the Board of Directors from time to time to govern future growth and to limit risk to unitholders.

BOARD COMMITTEE

The Audit Committee is comprised of the three independent members of the board. There are no other formal committees of the board at present as the Board of Directors is comprised of only five members and can operate efficiently as a committee of the whole.

UNITHOLDER COMMUNICATION

The Board of Directors has delegated the communications policy to the senior management of the Corporation and to the manager. The manager has historically conducted a twice annual conference to which select retail investment dealers representing significant holdings of trust units are invited to consider recent developments of the Corporation and EnergyTrust and to express questions and concerns.

PENGROWTH ENERGY TRUST	
	financial statements
	five year review – financial

FINANCIAL	1997	1996	1995	1994	1993
Gross oil and gas revenue	\$ 122,368,240	77,828,438	37,215,087	24,564,136	8,741,684
Crown royalties	\$ 15,402,336	11,279,152	4,444,996	3,241,830	1,391,478
Freehold and other royalties	\$ 2,220,550	2,207,121	1,221,743	610,235	96,761
Freehold mineral taxes	\$ 1,956,038	2,326,149	745,166	244,863	–
Operating costs	\$ 34,363,891	19,336,097	9,669,228	7,172,339	1,807,864
General and administrative	\$ 2,751,137	2,062,702	1,634,170	952,775	448,266
Management fee	\$ 2,389,036	1,582,695	797,482	507,235	219,975
Interest expense	\$ 3,494,373	2,758,853	760,461	203,646	297,549
Capital taxes	\$ 1,367,000	17,351	328,000	–	–
Depletion and future site restoration	\$ 38,863,000	22,619,000	12,415,000	8,711,000	2,785,000
Net revenue	\$ 63,392,176	39,217,857	19,432,640	12,888,259	5,413,658
Per unit	\$ 2.19	2.00	1.40	1.30	1.16
Net income	\$ 24,529,176	16,598,857	7,017,640	4,177,259	2,628,658
Per unit	\$ 0.87	0.84	0.51	0.44	0.60
Distributable income	\$ 63,634,319	38,821,941	19,253,822	12,737,797	5,237,841
Per unit	\$ 2.02	1.92	1.31	1.21	1.01
Total assets	\$ 947,907,973	227,635,655	155,392,547	88,000,566	45,482,433
Per unit	\$ 20.05	9.89	9.04	7.45	6.13
Long term liabilities	\$ 295,695,516	22,144,451	20,552,196	6,515,237	344,330
Per unit	\$ 6.25	0.96	1.20	0.55	0.05
Unitholders' equity	\$ 632,786,273	194,834,638	131,144,008	78,525,191	43,935,223
Per unit	\$ 13.38	8.47	7.63	6.65	5.92
Net asset value*	\$ 770,569,000	241,790,000	164,610,000	102,567,000	61,840,000
Per unit	\$ 16.30	10.51	9.58	8.69	8.33
Return on average equity	5.9%	10.2%	6.7%	6.8%	9.0%
Cash flow return on average equity	15.4%	23.8%	18.4%	20.8%	17.9%
Average cost of equity capital	3.1%	5.1%	3.3%	4.2%	2.4%
Average cost of debt capital	4.2%	5.6%	8.9%	7.1%	6.2%

*Based on Established (proved plus 50% of probable) reserves discounted at 12% before income taxes

five year review – operating

OPERATING	1997	1996	1995	1994	1993
Daily Production					
Oil (bbls)	7,650	4,681	3,080	1,754	651
Gas (mcf)	51,355	36,972	18,374	13,058	3,930
Natural gas liquids (bbls)	1,856	964	735	630	155
Oil equivalent (boe)	14,716	9,397	5,652	3,690	1,199
Total Annual Production (mboe)	5,371	3,430	2,063	1,347	438
Average price					
Oil (per bbl)	\$ 26.26	27.79	22.32	21.54	20.67
Gas (per mcf)	\$ 1.94	1.73	1.35	1.80	2.04
Natural gas liquids (per bbl)	\$ 19.67	21.03	13.75	11.23	11.63
Oil equivalent (per boe)	\$ 22.78	22.63	18.02	18.23	19.90
Property acquisitions (\$millions)	\$ 528.0	74.9	71.4	49.8	21.6
Capital expenditures (\$millions)	\$ 17.5	10.3	3.8	1.6	0.5
Reserves (Established)					
Reserves acquired in the year (mmboe)	99.1	11.7	18.3	11.8	4.3
Reserves at year-end (mmboe)	145.0	44.2	34.8	17.9	8.1
Acquisition cost per boe	\$ 5.33	6.41	3.90	4.21	5.10
STOCK MARKET DATA					
Trading volume	10,544,918	11,582,091	8,892,158	4,458,693	3,756,997
Trading value	\$ 192,697,226	192,712,080	119,354,846	50,958,001	34,636,416
Market capitalization					
Units outstanding	47,287,950	23,014,945	17,185,073	11,805,376	7,425,231
Year end unit price	\$ 18.00	17.00	15.38	10.63	11.00
Total capitalization	\$ 851,183,000	391,254,000	264,220,000	125,432,000	81,678,000
Trust unit price:					
High	\$ 22.45	19.00	15.88	12.38	11.75
Low	\$ 15.00	14.50	9.25	10.50	5.13
Close	\$ 18.00	17.00	15.38	10.63	11.00
Cash on cash return:					
Yearly high price	9.0%	10.1%	8.2%	9.8%	8.6%
Yearly low price	13.4%	13.2%	14.1%	11.5%	19.7%

financial report

historical distributions

1997 CASH DISTRIBUTIONS (CALENDAR YEAR BASIS)

Ex-Distribution Date	Distribution Date	Regular Monthly Distribution	Extra Distribution	Total Distribution Per Unit
December 27	January 15	\$ 0.1000	\$ 0.0500	\$ 0.1500
January 30	February 15	0.1000	0.2090	0.3090
February 27	March 15	0.1000	0.0500	0.1500
March 27	April 15	0.1000	0.1200	0.2200
April 29	May 15	0.1000	0.1430	0.2430
May 29	June 15	0.1100	0.1000	0.2100
June 26	July 15	0.1100	0.0400	0.1500
July 29	August 15	0.1100	0.0400	0.1500
August 27	September 15	0.1100	0.0600	0.1700
September 26	October 15	0.1100	0.0000	0.1100
October 30	November 15	0.1100	0.0000	0.1100
November 27	December 15	0.1100	0.0300	0.1400
				\$ 2.1120
Cash Distributions cumulative total 1989 – 1997				\$ 10.1613

1996 CASH DISTRIBUTIONS

Date of Distribution	Per Unit	Cumulative
January 15	\$0.0800	
February 15	0.1310	
March 15	0.0800	
April 15	0.0900	
May 15	0.2310	
June 15	0.2000	
July 15	0.2000	
August 15	0.1600	
September 15	0.1000	
October 15	0.1600	
November 15	0.1000	
December 15	0.1400	
	\$ 1.6720	\$ 8.0493

1995 CASH DISTRIBUTIONS

Date of Distribution	Per Unit	Cumulative
January 15	\$0.0700	
February 15	0.1769	
March 15	0.0700	
April 15	0.0700	
May 15	0.2244	
June 15	0.1600	
July 15	0.0800	
August 15	0.0800	
September 15	0.0800	
October 15	0.1350	
November 15	0.0800	
December 15	0.1200	
	\$ 1.3463	\$ 6.3773

1994 CASH DISTRIBUTIONS

Date of Distribution	Per Unit	Cumulative
January 15	\$0.0600	
February 15	0.1002	
March 15	0.0600	
April 15	0.0600	
May 15	0.1574	
June 3	0.0700	
June 15	0.0600	
July 15	0.0600	
August 15	0.0700	
September 15	0.0700	
October 15	0.1350	
November 15	0.0700	
December 15	0.1500	
	\$ 1.1226	\$ 5.0310

1992 CASH DISTRIBUTIONS

Date of Distribution	Per Unit	Cumulative
February 15	\$ 0.1236	
May 15	0.2588	
June 15	0.0400	
July 15	0.0400	
August 15	0.0400	
September 15	0.0400	
October 15	0.0400	
November 15	0.0500	
December 15	0.0500	
	\$ 0.6824	\$2.7304

1990 CASH DISTRIBUTIONS

Date of Distribution	Per Unit	Cumulative
February 15	\$0.0780	
May 15	0.4472	
August 15	0.1395	
November 15	0.0602	
	\$0.7249	\$1.2094

1993 CASH DISTRIBUTIONS

Date of Distribution	Per Unit	Cumulative
January 15	\$0.1900	
February 15	0.1388	
March 15	0.0500	
April 15	0.0500	
May 15	0.1792	
June 15	0.0500	
July 15	0.0500	
August 15	0.0500	
September 15	0.2400	
October 15	0.0600	
November 15	0.0600	
December 15	0.0600	
	\$ 1.1780	\$ 3.9084

1991 CASH DISTRIBUTIONS

Date of Distribution	Per Unit	Cumulative
February 15	\$ 0.2126	
May 15	0.4784	
August 15	0.1174	
November 15	0.0302	
	\$0.8386	\$2.0480

1989 CASH DISTRIBUTIONS

Date of Distribution	Per unit	Cumulative
May 15	\$0.1079	
August 15	0.2150	
November 15	0.1616	
	\$0.4845	\$0.4845

pengrowth personnel



James S. Kinnear
President and CEO

ACCOUNTING



Gordon M. Anderson
Vice President, Treasurer



Lianne K. Bigham
Controller



Kathy N. Fidyk
Senior Accountant



Cyndy E. Mercier
Accounting
Administrator



Jacki J. Sampson
Supervisor, Joint
Interest Accounting



Lynn M. Campbell
Data Entry Clerk



Julie K. Eldridge
Senior Joint Interest
Accountant

ADMINISTRATION



Charles V. Selby
Corporate Secretary



Carol Donald
Assistant Corporate
Secretary



Cheryle Adolph
Administrative Assistant



Rosemary M. VanDyk
Administrative Secretary



Michelle L. Gunn
Receptionist

INVESTOR RELATIONS



Janice B. Young
Investor Relations



Sally Elliot
Investor Relations
(Toronto)

LAND



Lise Pitt
Manager, Land
Administration



Sandra L. Forsythe
Junior Land
Administrator

ENGINEERING



Judith L. McPhee
Manager, Oil and
Gas Marketing



Nikki N. Tuveson
Engineering
Secretary



Leslie J. McCawley
Senior Engineering
Technician



Steve Ozar
Engineering Consultant

OPERATIONS



Henry D. McKinnon
Manager, Operations



Tanla L. Barkley
Operations Secretary



Dave Elliott
Coordinator, Materials &
Services



Wendy M. Noonan
Supervisor, Administration
& Human Resources



Tracy Knibbs
Gas Revenue Analyst



John Hulecki
Information Systems
Consultant



Clay Radu
Administrator, Information
Systems



Norm Schulteis
Geological Consultant



Dave Thompson
Manager, Business
Support



Neil Walliser
Joint Venture Manager

judy creek personnel

Mr. Jim Andersen	Mr. Jim Greer	Mr. David Peachman
Mr. Ed Arsenault	Mr. Conrad Harty	Mr. Brad Pearson
Mr. Robert Azim	Mr. Hal Hanrieder	Mr. Roger Pechanec
Mr. Dale Babiak	Ms. Debra Hehn	Mr. Ted Pelech
Mr. Norm Bachand	Mr. John Hestermann	Mr. Dennis Perin
Mr. David Beeson	Mr. Doug Hiemstra	Ms. Tasha Pingert
Mr. Keith Black	Mr. Eric Hoek	Mr. Eric Pratt
Mr. Dave Bradley	Mr. Frank Horvath	Ms. Joy Preston
Mr. Warren Bready	Mr. Grant Huber	Mr. Kevin Prodaniuk
Ms. Joyce Bunn	Mr. Dale Hutchinson	Mr. Gord Rau
Mr. Duane Carlson	Mr. Khai Huynh	Mr. Brian Read
Mr. Rob Collins	Mr. Craig Johnson	Ms. Lori Rock
Mr. Brian Conner	Mr. Don Kallis	Mr. Robert Rock
Mr. Duane Constantinoff	Mr. Trevor Keddle	Mr. Kurt Roebuck
Mr. Nigel Cook	Mr. Blair Kessler	Mr. Terry Romaniuk
Mr. Kevin Cote	Mr. Doug Kidd	Mr. Lance Schmaus
Mr. Don Craig	Mr. Pat Kietzel	Mr. Phil Semmler
Mr. Rob Cramer	Mr. Francis Kripal	Mr. Ron Shannon
Ms. Deb Danyluk	Mr. Sam Kuric	Mr. Duane Skerrett
Mr. Len Danyluk	Mr. Dan Lastiwka	Mr. Stu Slager
Mr. Al Doucette	Mr. Greg Lawrence	Mr. Randy Steele
Mr. Geoff Duff	Mr. Randy Lawrie	Ms. Linda Struik
Mr. Wayne Duncombe	Mr. Martin Littke	Mr. Mario Struik
Mr. Grant Ellefson	Mr. Eric McCabe	Mr. John Tawiah
Mr. Greg Ewasluk	Ms. Patti McCabe	Ms. Lisa Telang
Ms. Jean Feckley	Mr. Dave McConnell	Mr. Perry Teplyske
Mr. Terry Fong	Mr. Randy McDonald	Mr. Darren Tetlock
Mr. Bill Forbes	Mr. Rod Machula	Mr. Dave Thompson
Mr. Brian Fuglerud	Mr. Randy Marriott	Mr. Rob Vanloenen
Mr. Randy Fuglerud	Ms. Terry Martin	Mr. Doug Wakaruk
Ms. Rose Gardipy	Mr. Mike Messer	Mr. Ron Webster
Mr. Bernie Gaumont	Mr. Pete Mierau	Mr. Jim Whaley
Mr. Phil Gauthier	Ms. Phyllis Morissette	Mr. Jeff Whatmore
Mr. Roy Gertz	Mr. Rob Moriyama	Ms. Ann Whitaker-Jackman
Mr. Garry Givens	Mr. Ron Morland	Mr. Brian White
Mr. Jeff Goebel	Mr. Joe Oleksow	Mr. Kent Wiens
Mr. Phil Goldsney	Mr. Ken Osment	Mr. Ken Workman
Ms. Elaine Grant	Mr. Rob Paterson	
Mr. Richard Grant	Mr. Rod Patterson	

officers and key personnel



James S. Kinnear, B.Sc., C.F.A. – President, C.E.O. and Director of GasCorp, established Pengrowth Management Limited in 1982. Prior to this he was Research Director and Partner with D.W. Taylor and Company Limited (Montreal) (now Brockhouse & Cooper Inc.), having previously worked in the investment industry in both Toronto and London, England.



Gordon M. Anderson, B.Comm. C.G.A. – Vice-President Treasurer and C.F.O. of GasCorp, joined Pengrowth in 1990 as Chief Accountant following a 15-year career specializing in oil and gas audit, accounting and tax services with Thorne Riddell (now KPMG), Aurora Energy Fund Ltd. and Coho Resources Limited. Prior to his accounting career Mr. Anderson administered trusts with Montreal Trust Company in Calgary.



Charles V. Selby, B.Sc.(Hons.) P.Eng. LLB – Corporate Secretary, GasCorp, operates an independent legal practice under the name Selby Solicitors, specializing in securities, oil and gas and international financial transactions. Mr. Selby formerly practised law for 10 years with Bennett Jones Verchere, and Code Hunter, Barristers and Solicitors. Mr. Selby had previously been employed as a petroleum engineer with Chevron in Canada, the United States and Saudi Arabia. Mr. Selby is an officer and director of several public and private companies related to the oil and gas industry.



Carol Donald – Assistant Corporate Secretary of GasCorp, began her career in the Land Department of Shell Oil Canada Ltd. She was employed by Pengrowth Management Limited during its formation from 1982 to 1986, and returned in 1993. In the interim, she was Assistant to the Chairman and Corporate Administrator with Renown Resources Ltd.



Lianne K. Bigham, B. Comm, C.A. – Controller of GasCorp, joined Pengrowth in 1993 as senior accountant, following four years spent with the accounting firms of Kenway Mack Slusarchuk Stewart and Ernst & Young.



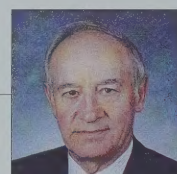
Henry D. McKinnon, B.Sc., P.Eng. – Manager, Operations GasCorp, joined Pengrowth in October, 1997. He brings to Pengrowth 20 years of experience in the Canadian oil industry having recently worked with the Pembina Corporation as Manager, Production Operations, and previously with Texaco Canada and Anadarko Petroleum in their field operations.

board of directors

Thomas S. Dobson, is Chairman of Easton United Holdings Ltd. following a career spanning 43 years with The Royal Bank of Canada, from which he retired in 1978 as Executive Vice President. He is a former Director of TransAlta Utilities Corporation, and currently serves on the Board of several corporations such as Murphy Oil Company Ltd. and International Trust Company Inc.



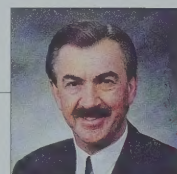
Francis G. Vetsch, B.Sc., P.Eng., is President of Quantex Resources Ltd. and is the former President of Tripet Resources Limited and Chairman of Chauvco Resources Ltd. In his earlier career he served as President and CEO of Alberta Eastern Gas Ltd. for 6 years and Vice-President, Operations of Atlantic Richfield Canada for six years. He serves on the Boards of several other public energy companies.



Stanley H. Wong, B.Sc., P.Eng., is President of Carbine Resources Ltd., a private oil and gas producing and engineering consulting company. He was Senior Engineer with Hudson's Bay Oil & Gas for ten years and employed by Total Petroleum for a period of fifteen years where he was Chief Engineer and later became Manager of Special Projects. He is currently a Director of Cavell Energy Corporation.



John B. Zoazirny, Q.C., B.Comm., LL.B., LL.M., is Counsel to McCarthy Tetrault of Calgary, was Minister of Energy and Natural Resources for the Province of Alberta from 1982 to 1986, and currently serves on the Board of numerous Canadian and international corporations. He is also a Public Governor, The Alberta Stock Exchange and a Senior Associate of Cambridge Energy Research Associates and of The Earncliffe Strategy Group.



corporate/trust information

ENERGYTRUST MANAGEMENT

Pengrowth Management Limited, a specialty manager of oil and natural gas assets, advises and administers both Pengrowth Energy Trust and Pengrowth Gas Corporation.

ANNUAL GENERAL MEETING

The Annual General Meeting of Pengrowth Gas Corporation and Pengrowth Energy Trust, at which the unitholders of Pengrowth Energy Trust are entitled to vote, will be held at 3:00 p.m. on Wednesday, April 29, 1998 in the McMurray Room of The Calgary Petroleum Club, 319 - 5th Avenue S.W., Calgary, Alberta. Unitholders are invited to attend. On this day, a teleconference meeting of the AGM will be held at 5:00pm EST at the King Edward Hotel, Toronto and the Ritz Carlton Hotel, Montreal. For further information please call 1-888-744-1111 (toll free) or 416-362-1748

DISTRIBUTION RE-INVESTMENT PROGRAM (DRIP)

The Distribution Re-investment Plan is available to all unitholders owning a minimum of 100 trust units and provides an opportunity to purchase additional trust units by re-investing their monthly cash distribution, without paying a commission.

Pengrowth has the option of purchasing the units required for the DRIP program either in the stock market or from treasury. The choice of option is based on which provides the lowest price for investors. Under the terms of the DRIP, additional cash payments of up to \$1,000 per month or \$3,000 per quarter, may be invested in the program free of commission costs. To enroll in the DRIP, please contact Montreal Trust Stock and Bond Transfer Department, Suite 600, 530 - 5th Avenue S.W., Calgary, Alberta T2P 3S8.

OPTIONAL DISTRIBUTION PAYMENTS IN U.S. FUNDS

Unitholders may choose to receive their monthly cash distribution payments in U.S. dollars. To select this option, please contact Montreal Trust, the Trustee, in Calgary at the address listed under the Distribution Reinvestment Program above.

ELECTRONIC DIRECT BANK DEPOSIT SERVICE

As a special service to our registered unitholders, the monthly cash distributions issued can be deposited directly to a specified bank account, by electronic transfer. This option is available to unitholders using financial institutions that are members of the Canadian Bankers Association. For this service, please contact the Trustee, Montreal Trust Company of Canada, at the address shown above.

TRUST STRUCTURE

The structure of the energy royalty trust is tax effective – the corporation holding the assets of the trust receives a deduction for the royalty paid to the trust and is therefore not taxable, while the trust distributes all net revenues received to unitholders on a monthly basis.

The monthly cash distribution is considered for tax purposes as part of the asset base (return of capital), so it is crucial that the energy trust have quality holdings that provide a stable return for a long term. Added to this, the trust must have the ability to grow the asset base on a timely basis, through the addition of high quality, long-life producing properties acquired at reasonable prices. Pengrowth Energy Trust held a ratio of 82 percent crude oil and natural gas liquids and 18 percent natural gas property interests at year end 1997.

trust information

DIRECTORS OF PENGROWTH GAS CORPORATION

Thomas S. Dobson
Chairman, Easton United Holdings Ltd.

James S. Kinnear
President, Pengrowth Management Limited

Francis G. Vetsch
President, Quantex Resources Ltd.

Stanley H. Wong
President, Carbine Resources Ltd.

John B. Zaozirny
Counsel, McCarthy Tetrault

OFFICERS OF PENGROWTH GAS CORPORATION

James S. Kinnear
President and Chief Executive Officer

Gordon M. Anderson
Vice-President Treasurer and
Chief Financial Officer

Charles V. Selby
Corporate Secretary

Carol Donald
Assistant Corporate Secretary

TRUSTEE

Montreal Trust Company of Canada
Calgary, Alberta Canada

BANKERS

Royal Bank of Canada
Calgary, Alberta Canada

AUDITORS

KPMG
Calgary, Alberta Canada

ENGINEERING CONSULTANTS

Gilbert Laustsen Jung Associates Ltd.
Calgary, Alberta Canada

LEGAL COUNSEL

Bennett Jones Verchere
Calgary, Alberta Canada

STOCK EXCHANGE LISTINGS

The Toronto Stock Exchange
Montreal Exchange
Symbol PGF.UN Trust Units
Symbol PGF.IR Instalment Receipts

ABBREVIATIONS

bbl	barrel
mbbls	thousands barrels
mmbbls	million barrels
bpd	barrels per day
mcf	thousand cubic feet
mmcf	million cubic feet
bcf	billion cubic feet
mmcf/d	million cubic feet per day
boe*	barrels of oil equivalent
mboe*	thousand barrels of oil equivalent
mmboe*	million barrels of oil equivalent
boepd*	barrels of oil equivalent per day

*10 mcf of gas = 1 barrel of oil

PENGROWTH ENERGY TRUST

HEAD OFFICE

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PENGROWTH ENERGY TRUST

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